TELUS CORP
Form SUPPL
September 14, 2016

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The information contained in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 14, 2016

PROSPECTUS SUPPLEMENT
To an Amended and Restated Short Form Base Shelf Prospectus dated August 30, 2016

U.S.$

TELUS Corporation

% Notes due , 2027

The % Notes due , 2027 (the "Notes") of TELUS Corporation ("TELUS" or the "Company") are offered under this prospectus supplement (the "Offering").

The Notes will bear interest at the rate of % per year, payable in equal semi-annual instalments on and of each year, beginning on . See "Description of the Notes". The effective yield on the Notes if held to maturity will be %. The Notes will be unsecured and unsubordinated obligations of the Company, will rank pari passu in right of payment with all existing and future unsecured and unsubordinated obligations of the Company and will be senior in right of payment to all existing and future subordinated indebtedness of the Company, but will be effectively subordinated to all existing and future obligations of, or guaranteed by, the Company's subsidiaries.

Unless the Company redeems the Notes earlier, the Notes will mature on , 2027. The Company may redeem the Notes at any time prior to , , in whole or from time to time, in part, on the terms and at the redemption price described herein. The Company may also redeem the Notes, in whole but not in part, in the event certain changes affecting Canadian withholding taxes occur. The Company will be required to make an offer to repurchase the Notes at a price equal to 101% of its outstanding principal amount plus accrued and unpaid interest to the date of repurchase upon the occurrence of a Change of Control Triggering Event (as defined herein). See "Description of the Notes".

An investment in the Notes bears certain risks. See "Risk Factors" on page S-10 of this prospectus supplement.

This Offering is being made in the United States and all of the provinces of Canada. See "Underwriting".

	Price to Public(1)	Underwriters' Fees(2)	Net Proceeds to the Company(1)(2)(3)(4)
Notes, per U.S.$1,000 principal amount	U.S.$	U.S.$	U.S.$
Total	U.S.$	U.S.$	U.S.$

Notes:

(1)

Plus accrued interest, if any, from , 2016, if settlement occurs after that date.

(2)
TELUS has agreed to indemnify the Underwriters (as defined herein) against certain liabilities. See "Underwriting".

(3)
Consisting of the purchase price of % (or U.S.$) less the Underwriters' fees in respect of the Notes.

(4)
Before deducting expenses of the issue estimated at U.S.$730,000 which, together with the Underwriters' fees, will be paid by the Company.

The securities offered pursuant to this prospectus supplement have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC") nor has the SEC passed upon the accuracy or adequacy of this prospectus supplement or the amended and restated short form base shelf prospectus to which this prospectus supplement relates. Any representation to the contrary is a criminal offense.

There is no market through which the Notes may be sold and purchasers may not be able to resell the Notes purchased under this prospectus supplement and the amended and restated short form base shelf prospectus to which it relates. This may affect the pricing of the Notes in the secondary market, the transparency and availability of trading prices, the liquidity of the Notes, and the extent of issuer regulation. See "Risk Factors" on page S-10 of this prospectus supplement.

This Offering is made by a Canadian issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this prospectus supplement, and the amended and restated short form base shelf prospectus to which it relates, in accordance with the disclosure requirements of Canada. Prospective investors in the United States should be aware that such requirements are different from those of the United States. The financial statements incorporated herein have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and thus they may not be comparable to financial statements of United States companies. Prospective investors in the United States should be aware that the acquisition of the Notes described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be fully described herein.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Company is incorporated or organized under the laws of the Province of British Columbia, that some or all of its officers and directors may be residents of Canada, that some or all of the agents or experts named herein may be

residents of Canada, and that all or a substantial portion of the assets of the Company and such persons may be located outside the United States.

Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC, RBC Dominion Securities Inc., Wells Fargo Securities, LLC, TD Securities (USA) LLC, , , and (collectively, the "Underwriters"), as principals, conditionally offer the Notes subject to prior sale, if, as and when issued and sold by TELUS and accepted by the Underwriters in accordance with the conditions of the underwriting agreement described under "Underwriting". It is expected that the Notes will be available for delivery in book-entry form only on closing of this Offering, which is expected to occur on or about September , 2016 or such other date as may be agreed upon by TELUS and the Underwriters.

In connection with this Offering, the Underwriters may sell the Notes for less than the initial offering price and may, subject to applicable law, over-allot or effect transactions which stabilize or maintain the market price of the Notes offered at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "Underwriting". **Each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC, RBC Dominion Securities Inc., Wells Fargo Securities, LLC, TD Securities (USA) LLC and is an affiliate of a financial institution which is a lender to the Company under a $2.25 billion unsecured credit facility with a syndicate of 16 financial institutions (the "2016 Credit Facility"). Each of RBC Capital Markets, LLC, RBC Dominion Securities Inc., Wells Fargo Securities, LLC, TD Securities (USA) LLC and is an affiliate of a financial institution which is a lender to TELUS International (Cda) Inc. under a U.S.$330 million bank credit facility, secured by its assets, expiring on May 31, 2021 (the "TELUS International Credit Facility"). Consequently, the Company may be considered to be a connected issuer of each such Underwriter for purposes of securities legislation of the provinces of Canada. See "Underwriting".**

The Underwriters expect to deliver the Notes on or about September , 2016 through The Depository Trust Company and its direct and indirect participants, including CDS Clearing and Depositary Services Inc., Euroclear Bank S.A./N.V. and Clearstream Banking S.A.

Joint Book-Running Managers

BofA Merrill Lynch	**RBC Capital Markets**	**Wells Fargo Securities**	**TD Securities**

Dated , 2016

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CURRENCY

Unless otherwise indicated, all references to "$" or "dollar" in this prospectus supplement refer to the Canadian dollar and all references to "U.S.$" or "U.S. dollar" in this prospectus supplement refer to the United States dollar. The Company's financial statements are prepared in Canadian dollars. The following table sets forth, for each of the periods indicated, the noon exchange rate on the last day of the period, the average noon exchange rate and the high and low noon exchange rates of one Canadian dollar in exchange for U.S. dollars using information provided by the Bank of Canada. The noon exchange rate as reported by the Bank of Canada on September 13, 2016 was $1.00 = U.S.$0.7595.

	Years Ended December 31,						Six Month Periods Ended June 30,			
	2013		2014		2015		2015		2016	
High	U.S.$	1.0164	U.S.$	0.9422	U.S.$	0.8527	U.S.$	0.8527	U.S.$	0.7972
Low	U.S.$	0.9348	U.S.$	0.8589	U.S.$	0.7148	U.S.$	0.7811	U.S.$	0.6854
Average	U.S.$	0.9710	U.S.$	0.9054	U.S.$	0.7820	U.S.$	0.8095	U.S.$	0.7518
End of Period	U.S.$	0.9402	U.S.$	0.8620	U.S.$	0.7225	U.S.$	0.8017	U.S.$	0.7687

DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference into the accompanying amended and restated short form base shelf prospectus of TELUS dated August 30, 2016 (the "amended and restated short form base shelf prospectus") solely for the purposes of this Offering. Other documents are also incorporated or deemed to be incorporated by reference into the amended and restated short form base shelf prospectus and reference should be made to the amended and restated short form base shelf prospectus for full particulars thereof.

The following documents, which have been filed by the Company with securities commissions or similar authorities in Canada, are also specifically incorporated by reference into and form an integral part of the amended and restated short form base shelf prospectus, as supplemented by this prospectus supplement:

(a) the annual information form of the Company dated March 10, 2016 for the year ended December 31, 2015;

(b) the audited consolidated financial statements of the Company as at and for the years ended December 31, 2015 and December 31, 2014, together with the report of the independent registered public accounting firm thereon and the notes thereto;

(c) Management's Discussion and Analysis of financial results for the year ended December 31, 2015;

(d) Section 10 (Risks and risk management) of the Management's Discussion and Analysis of financial results for the three-month period ended March 31, 2016;

(e) the unaudited condensed interim consolidated financial statements of the Company as at and for the three-month and six-month periods ended June 30, 2016 and June 30, 2015 together with the notes thereto;

(f) Management's Discussion and Analysis of financial results for the three-month and six-month periods ended June 30, 2016; and

(g) the information circular dated March 9, 2016 prepared in connection with the Company's annual general meeting held on May 5, 2016.

Any statement contained in the amended and restated short form base shelf prospectus, in this prospectus supplement or in any document incorporated or deemed to be incorporated by reference in the amended and restated short form base shelf prospectus for the purpose of this Offering shall be deemed to be modified or superseded, for purposes of this prospectus supplement, to the extent that a statement contained herein or in the amended and restated short form base shelf prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein or in the amended and restated short form base shelf

prospectus modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this prospectus supplement, except as so modified or superseded.

WHERE YOU CAN FIND MORE INFORMATION

Information has been incorporated by reference in the accompanying amended and restated short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of this prospectus supplement, together with the amended and restated short form base shelf prospectus and documents incorporated by reference therein, may be obtained on request without charge from the Executive Vice-President, Corporate Affairs, Chief Legal Officer and Corporate Secretary of TELUS at 510 W. Georgia St., 23rd Floor, Vancouver, British Columbia V6B 0M3 (telephone 604.695.6420). Copies of these documents are also available electronically on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the amended and restated short form base shelf prospectus to which it relates, together with the documents incorporated by reference herein and therein, contain forward-looking statements about expected events and the financial and operating performance of TELUS. Forward-looking statements include statements relating to annual targets, outlook, updates, the Company's multi-year dividend growth program, the Company's multi-year share purchase program, and trends. Forward-looking statements are typically identified by the words "assumption", "goal", "guidance", "objective", "outlook", "strategy", "target" and other similar expressions, or future or conditional verbs such as "aim", "anticipate", "believe", "predict", "could", "expect", "intend", "may", "plan", "seek", "should", "strive" and "will". By their nature, forward-looking statements do not refer to historical facts, are subject to inherent risks and require the Company to make assumptions. There is significant risk that forward-looking statements will not prove to be accurate. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements. The Company's general trends, outlook and assumptions for 2016 are described in the Company's Management's Discussion and Analysis of financial results for the year ended December 31, 2015, and updates to the Company's trends and assumptions for 2016 are presented in the Company's Management's Discussion and Analysis of financial results for the three-month and six-month periods ended June 30, 2016. Factors that could cause actual performance to differ materially from the forward-looking statements made herein and in the documents incorporated by reference include, but are not limited to, the following:

Competition including: continued intense rivalry across all services among wireless and wireline telecommunications companies, cable-TV providers, other communications companies and over-the-top ("OTT") services, which, among other things, places pressures on average revenue per subscriber unit per month ("ARPU") and churn for all services; mergers and acquisitions of industry competitors, including the integration of cable-TV and wireless companies; competition from global players for international roaming services; the Company's ability to continue to retain customers through an enhanced customer service experience; pressures on wireless ARPU and churn from market conditions and government actions, customer usage patterns, flat-rate pricing trends for voice and data, inclusive long distance plans for voice and increasing availability of Wi-Fi networks for data; pressures on high-speed Internet and TV ARPU and churn resulting from market conditions, government actions and customer usage patterns; residential network access line ("NAL") losses; subscriber additions and retention volumes, and associated costs for wireless, TV and high-speed Internet services; the potential entry of new competitors; and the Company's ability to obtain and offer content on a timely basis across multiple devices on wireless and TV platforms at a reasonable cost.

Technological substitution including: reduced utilization and increased commoditization of traditional wireline voice local and long distance services from impacts of OTT applications and wireless substitution, and overall slower subscriber growth in the wireline segment; the increasing number of households that have only wireless and/or Internet-based telephone services; continuation of wireless voice ARPU declines as a result of, among other factors, substitution to messaging and OTT applications; substitution to increasingly available Wi-Fi services from wireless services; and OTT Internet protocol ("IP") services that may displace TV and entertainment services, and impact revenue.

Technology including: subscriber demand for data that challenges wireless networks and spectrum capacity levels; the Company's reliance on legacy systems and information technology; technology options, evolution paths and roll-out plans for wireless and wireline networks (including broadband initiatives, such as fibre-to-the-premises ("FTTP"), wireless small-cell deployment, 5G wireless and availability of resources and ability to build out adequate broadband capacity); the Company's reliance on wireless network access agreements; choice of suppliers and those suppliers' ability to maintain and service their product lines; supplier concentration and market power for network equipment, TELUS TV® and wireless handsets; the performance of long-term evolution ("LTE") wireless technology; the Company's expected long-term need to acquire additional spectrum capacity through future spectrum auctions and from third parties to address increasing demand for data; deployment and operation of new wireless networks and success of new products, new services and supporting systems, including the Internet of Things ("IoT") services for Internet-connected devices; deployment and operation of new wireline broadband networks at a reasonable cost and availability, and success of new products and services to be rolled out on such networks; network reliability and change management; timing of decommissioning of certain legacy wireline networks, systems and services to reduce operating costs; timing of decommissioning of CDMA and iDEN wireless networks to redeploy spectrum and reduce operating costs, and the associated subscriber migration costs and customer retention risks; and success of upgrades and evolution of TELUS TV technology, which depend on third-party suppliers.

Ability to successfully implement cost reduction initiatives and realize planned savings, net of restructuring and other costs, without losing customer service focus or negatively affecting business operations. Initiatives include: the Company's operating efficiency and effectiveness program to drive improvements in earnings before interest, income taxes, depreciation and amortization ("EBITDA"), including the reduction of approximately 1,500 full-time equivalent ("FTE") positions announced in November 2015; business integrations; business process outsourcing; offshoring and reorganizations, including any FTE employee reduction programs; procurement initiatives; and real estate rationalization. Additional revenue and cost efficiency and effectiveness initiatives will continue to be assessed and implemented, as required.

Economic growth and fluctuations including: the state of the economy in Canada, which may be influenced by economic and other developments outside of Canada, including the United Kingdom's withdrawal from the European Union; future interest rates; inflation; unemployment levels; effects of low oil prices; effects of low business spend (reducing investments and cost structure); pension investment returns, funding and discount rates; and Canadian: U.S. dollar exchange rates.

Capital expenditure levels and potential outlays for spectrum licences in spectrum auctions or from third parties, due to: the Company's wireline broadband initiatives, including connecting more homes and businesses directly to fibre; the Company's ongoing deployment of wireless LTE and future technologies such as 5G; utilizing newly acquired spectrum; investments in network resiliency and reliability; subscriber demand for data; evolving systems and business processes; implementing efficiency initiatives; supporting large complex deals; and future wireless spectrum auctions held by Innovation, Science and Economic Development Canada ("ISED"). The Company's capital expenditure levels could be impacted if the Company does not achieve its targeted operational and financial results.

Regulatory decisions and developments including: potential of government intervention to further increase wireless competition; the Canadian Radio-television and Telecommunications Commission ("CRTC") wireless wholesale services review, in which it was determined that the CRTC will regulate wholesale GSM-based domestic roaming rates and the setting of such rates; future spectrum auctions (including limitations on established wireless providers, spectrum set-aside that favours certain carriers and other advantages provided to new and foreign participants, and the amount and cost of spectrum acquired); restrictions on the purchase, sale and transfer of spectrum licences; the undetermined long-term impact of the CRTC's wireline wholesale services review, which concluded that wholesale competitors shall receive regulated access to FTTP facilities owned by incumbent Internet service providers; the potential impacts from the CRTC's decision to require pro-rated refunds when customers terminate their services and the CRTC's examination of differential pricing practices related to Internet data plans; increased subsidy requirements for telecommunications facilities in Yukon, Nunavut and the Northwest Territories, and possible changes to the scope and nature of basic service obligations, including possible regulation on the quality, availability and affordability of residential Internet service; the CRTC's new code of conduct for TV services; vertical integration by competitors moving into broadcast content ownership, and timely and effective enforcement of related regulatory safeguards; ongoing monitoring and compliance with restrictions on non-Canadian ownership of the Common Shares; and modification, interpretation and application of tower sharing and roaming rules.

Ability to sustain the Company's dividend growth program through 2019 and the Company's ability to sustain and complete its multi-year share purchase program through 2019. These programs may be affected by factors such as the competitive environment, economic performance in Canada, the Company's earnings and free cash flow, the Company's levels of capital expenditures and spectrum licence purchases, and regulatory decisions and developments. Quarterly dividend decisions are subject to assessment and determination by the Company's Board of Directors ("Board") based on the Company's financial position and outlook, and the market price of TELUS shares. The share purchase program may be affected by a change in the Company's intention to purchase shares, and the assessment and determination of the Board from time to time. Consequently, there can be no assurance that these programs will be maintained through 2019.

Financing and debt requirements including the Company's ability to carry out financing activities and the Company's ability to maintain investment grade credit ratings in the range of BBB+ or the equivalent.

Process risks including: the Company's reliance on legacy systems and ability to implement and support new products and services and business operations; the Company's ability to implement effective change management for system replacements and upgrades, process redesigns and business integrations; implementation of complex large enterprise deals that may be adversely impacted by available resources, system limitations and degree of co-operation from other service providers; the Company's ability to successfully manage operations in foreign jurisdictions; information security and privacy breaches, including data loss or theft of data; intentional threats to the Company's infrastructure and business operations; and real estate joint venture re-development risks.

Litigation and legal matters including: the Company's ability to defend successfully against investigations, regulatory proceedings, claims and lawsuits, including intellectual property infringement claims and class actions pending against TELUS, as well as possible proceedings, intellectual property infringement claims and class actions based on consumer claims, data, privacy or security breaches and secondary market liability; and the complexity of legal compliance in domestic and foreign jurisdictions.

Human resource matters including: recruitment, retention and appropriate training in a highly competitive industry; the future outcome of collective bargaining for an agreement with the Telecommunications Workers Union ("TWU"), United Steel Workers Local Union 1944, which expired at the end of 2015; and the level of employee engagement.

Tax matters including: complex tax laws that may be subject to interpretation by the tax authorities that may differ from the Company's interpretations; changes in tax laws, including tax rates; elimination of income tax deferrals through the use of different tax year-ends for operating partnerships and corporate partners; and international tax complexity and compliance.

Business continuity events including: the Company's ability to maintain customer service and operate the Company's networks in the event of human error or human-caused threats, such as electronic attacks and equipment failures that could cause various degrees of network outages; supply chain disruptions; natural disaster threats; epidemics; pandemics; and the completeness and effectiveness of business continuity and disaster recovery plans and responses.

Partnerships, acquisitions or divestitures including: the Company's ability to successfully integrate acquisitions, complete divestitures or establish partnerships in a timely manner, and realize expected strategic benefits.

Health, safety and environmental developments and other risk factors discussed herein and listed from time to time in the Company's reports and public disclosure documents, including the Company's annual report, annual information form, and other filings with securities commissions or similar regulatory authorities in Canada (on SEDAR at www.sedar.com) and in the Company's filings with the SEC in the United States, including Form 40-F (on EDGAR at www.sec.gov).

For further information, see the section entitled "Risks and risk management" in each of the Company's Management's Discussion and Analysis of financial results for the year ended December 31, 2015, Management's Discussion and Analysis of financial results for the three-month period ended March 31, 2016 and Management's Discussion and Analysis of financial results for the three-month and six-month periods ended June 30, 2016.

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information contained elsewhere in this prospectus supplement and the accompanying amended and restated short form base shelf prospectus to which it relates and in the documents incorporated by reference herein and therein. Unless the context otherwise indicates, references in this prospectus supplement to "TELUS" or the "Company" are references to TELUS Corporation, its consolidated subsidiaries and predecessor companies. References to "$" or "dollar" are to Canadian dollars and references to "U.S.$" or "U.S. dollar" are to United States dollars.

Recent Developments

Negotiations to renew the collective agreement between TELUS and the Telecommunications Workers Union, United Steel Workers Local Union 1944, which expired on December 31, 2015, are ongoing. This agreement covers 10,300 employees across Canada in call centre, clerical support and technical occupations. Please see "Risk Factors", section 10.5 of the Company's Management's Discussion and Analysis of financial results for the year ended December 31, 2015.

The Offering

Issue	U.S.$ aggregate principal amount of Notes.
Interest	Interest accrues on the Notes at a rate of % per annum and is payable in arrears in equal semi-annual instalments (except for the first interest payment) on and of each year. The first interest payment on the Notes in the amount of U.S.$ will be due on , 2017.
Maturity	The Notes will mature on , 2027.
Ranking	The Notes will be unsecured and unsubordinated obligations of the Company, will rank pari passu in right of payment with all existing and future unsecured and unsubordinated obligations of the Company and will be senior in right of payment to all existing and future subordinated indebtedness of the Company, but will be effectively subordinated to all existing and future obligations of, or guaranteed by, the Company's subsidiaries.
Optional Redemption	The Notes may be redeemed at any time prior to the Par Call Date (as defined in "Description of the Notes Optional Redemption") at the option of the Company, in whole or from time to time, in part, on not fewer than 30 nor more than 60 days prior notice at a redemption price equal to the greater of (a) the Discounted Value (as defined in "Description of the Notes Optional Redemption") of the Notes or (b) 100% of the principal amount thereof. The Notes may be redeemed at any time on or after the Par Call Date at the option of the Company, in whole or from time to time, in part, on not fewer than 30 nor more than 60 days prior notice at a redemption price equal to 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption. In the event of certain changes to the tax laws of Canada or any province thereof in respect of the Notes, TELUS may, under certain circumstances, redeem the Notes, in whole, but not in part, at 100% of their outstanding principal amount, together with accrued and unpaid interest, if any, and Additional Amounts (as defined herein), if any, to the date fixed for redemption. See "Description of the Notes Tax Redemption".

Change of Control	The Company will be required to make an offer to repurchase the Notes at a price equal to 101% of their outstanding principal amount plus accrued and unpaid interest to the date of repurchase upon the occurrence of a Change of Control Triggering Event (as defined herein). See "Description of the Notes Repurchase upon Change of Control Triggering Event".
Certain Covenants	The U.S. Indenture (as defined herein) pursuant to which the Notes will be issued will contain certain covenants that, among other things, limit the ability of the Company and certain material subsidiaries to grant security in respect of Indebtedness (as defined herein) and to enter into Sale and Lease-Back Transactions (as defined herein) and limit the ability of such subsidiaries to incur new Indebtedness. See "Description of the Notes Negative Pledge", " Limitation on Restricted Subsidiary Indebtedness", and " Limitation on Sale and Lease-Back Transactions".
Use of Proceeds	The total net proceeds to be received by the Company from this Offering are estimated to be approximately U.S.$ after payment of commissions to the Underwriters but before deduction of the expenses of this Offering. The net proceeds will be used to repay approximately U.S.$ million of outstanding commercial paper and for general corporate purposes. Pending any such use of the net proceeds, the Company will invest the net proceeds in bank deposits and short-term marketable securities. See "Use of Proceeds".
Conflicts of Interest	As described above, the net proceeds will be used to repay approximately U.S.$ million of outstanding commercial paper and for general corporate purposes. Certain affiliates of the Underwriters may be holders of the Company's commercial paper. As a result, one or more affiliates of the Underwriters may receive more than 5% of the net proceeds from this Offering in the form of the repayment of indebtedness. Accordingly, this Offering is being made pursuant to Rule 5121 of the Financial Industry Regulatory Authority ("FINRA"). The appointment of a qualified independent underwriter is not necessary in connection with this Offering because the conditions of Rule 5121(a)(1)(C) of FINRA are satisfied.
Form and Denomination	The Notes will be represented by fully registered global notes deposited in book-entry form with, or on behalf of, The Depository Trust Company, and registered in the name of its nominee. See "Description of the Notes Book-Entry System" in this prospectus supplement. Except as described under "Description of the Notes" in this prospectus supplement and "Description of Debt Securities" in the amended and restated short form base shelf prospectus, Notes in certificated form will not be issued. The Notes will be issued only in fully registered form, without coupons, in denominations of U.S.$2,000 of principal amount and any integral multiple of U.S.$1,000 in excess thereof.
Governing Law	New York, United States.

RISK FACTORS

Prospective investors in the Notes should consider carefully the matters set forth in the section entitled "Risk Factors" in this prospectus supplement and the sections entitled "Risks and risk management" in each of the Company's Management's Discussion and Analysis of financial results for the year ended December 31, 2015, Management's Discussion and Analysis of financial results for the three-month period ended March 31, 2016 and Management's Discussion and Analysis of financial results for the three-month and six-month periods ended June 30, 2016, each of which is being incorporated by reference herein.

RECENT DEVELOPMENTS

Negotiations to renew the collective agreement between TELUS and the Telecommunications Workers Union, United Steel Workers Local Union 1944, which expired on December 31, 2015, are ongoing. This agreement covers 10,300 employees across Canada in call centre, clerical support and technical occupations. Please see "Risk Factors", section 10.5 of the Company's Management's Discussion and Analysis of financial results for the year ended December 31, 2015.

CONSOLIDATED CAPITALIZATION

The following table sets forth the cash and temporary investments, net, and the capitalization of TELUS as at June 30, 2016, on an actual basis and on an as adjusted basis to give effect to (i) this Offering, and (ii) the use of proceeds of this Offering to repay approximately U.S.$ million of outstanding commercial paper and for general corporate purposes. This table should be read in conjunction with the audited consolidated financial statements of the Company as at and for the years ended December 31, 2015, and December 31, 2014, together with the report of the independent registered public accounting firm thereon and the notes thereto, and the unaudited condensed interim consolidated financial statements of the Company for the three-month and six-month periods ended June 30, 2016, together with the notes thereto. All U.S. dollar amounts have been translated into Canadian dollars based on the monthly closing rate of exchange as reported by the Bank of Canada on June 30, 2016 (U.S.$1.00 = $1.2917).

	As at June 30, 2016	
	Actual	**As adjusted**
	(millions)	
Cash and temporary investments, net	$ 428	$ (1)(2)
Amounts arising from arm's-length securitization trust	100	100
Amounts arising from bank overdraft	3	3
Total short-term debt	103	103
Long-term debt		
Notes offered hereby		
TELUS Corporation Notes		
Series CD: 4.95% due March 2017	699	699
Series CG: 5.05% due December 2019	996	996
Series CH: 5.05% due July 2020	996	996
Series CJ: 3.35% due March 2023	498	498
Series CK: 3.35% due April 2024	1,090	1,090
Series CL: 4.40% due April 2043	595	595
Series CM: 3.60% due January 2021	398	398
Series CN: 5.15% due November 2043	396	396
Series CO: 3.20% due April 2021	497	497
Series CP: 4.85% due April 2044	883	883
Series CQ: 3.75% due January 2025	795	795
Series CR: 4.75% due January 2045	395	395
Series CS: 1.50% due March 2018	249	249
Series CT: 2.35% due March 2022	993	993
Series CU: 4.40% due January 2046	497	497
Series CV: 3.75% due March 2026	592	592
TELUS Corporation Commercial Paper	975	
TELUS Corporation Credit Facilities		
TELUS International (Cda) Inc. Credit Facilities	359	359

	As at June 30, 2016	
	Actual	As adjusted
	(millions)	
TELUS Communications Inc. Debentures		
Series 3: 10.65% due June 2021	174	174
Series 5: 9.65% due April 2022	247	247
Series B: 8.80% due September 2025	198	198
Total long-term debt	12,522	
Total debt	12,625	
Owners' equity:		
Common Shares	5,030	5,030
Contributed surplus	374	374
Retained earnings	2,624	2,624
Accumulated other comprehensive income	45	45
Non-controlling interest	8	8
Total owners' equity	8,081	8,081
Total capitalization	$ 20,278	$

Notes:

(1) Reflects approximately U.S.$ million arising from the issue of the Notes offered hereby (being the price to the public in respect of the Notes), and assumes the use of proceeds from this Offering (being to repay approximately U.S.$ million of outstanding commercial paper and for general corporate purposes). The amount reflected does not deduct issue costs related to this Offering.

(2) As at the date of this prospectus supplement, no amounts were drawn on the 2016 Credit Facility and the amount of commercial paper outstanding, all of which was denominated in U.S. dollars, was approximately U.S.$553 million ($728 million, based on the exchange rate as reported by the Bank of Canada as at close on September 13, 2016, which was U.S.$1.00 = $1.3170, before application of the use of proceeds from this Offering).

USE OF PROCEEDS

The total net proceeds to be received by the Company from this Offering are estimated to be approximately U.S.$ after payment of commissions (the "Underwriters' fee") to the Underwriters but before deduction of the expenses of this Offering. The net proceeds will be used to repay approximately U.S.$ million of outstanding commercial paper and for general corporate purposes. The outstanding commercial paper was originally incurred for working capital purposes. Pending any such use of the net proceeds, the Company will invest the net proceeds in bank deposits and short-term marketable securities.

EARNINGS COVERAGE RATIOS

The following consolidated earnings coverage ratios, which give effect to this Offering as though it had occurred at the beginning of each such period, have been calculated for the 12-month periods ended December 31, 2015 and June 30, 2016. The earnings coverage ratio refers to the ratio of (i) consolidated net income attributable to holders of Common Shares before borrowing costs and income taxes, and (ii) borrowing costs.

For the 12-month periods ended December 31, 2015 and June 30, 2016, the Company's consolidated net income attributable to holders of Common Shares before borrowing costs and income taxes was $2,409 million and $2,437 million, respectively. Borrowing costs for each of these 12-month periods was $ million and $ million, respectively.

12-month periods ended	December 31, 2015	June 30, 2016
Earnings coverage ratios	times	times

The earnings coverage ratio for the 12-month period ended December 31, 2015 gives pro forma effect to the issuance, repayment and redemption of all long-term debt of the Company since the date of the

December 31, 2015 financial statements to June 30, 2016, as if each had occurred at the beginning of such 12-month period. The earnings coverage ratios set out above do not purport to be indicative of earnings coverage ratios for any future periods. The information presented herein for the 12-month period ended June 30, 2016 is based on unaudited financial information.

RISK FACTORS

An investment in the Notes offered hereby involves certain risks. In addition to the other information contained in this prospectus supplement and in the section entitled "Risks and risk management" in the Company's Management's Discussion and Analysis of financial results for the year ended December 31, 2015, Management's Discussion and Analysis of financial results for the three-month period ended March 31, 2016 and Management's Discussion and Analysis of financial results for the three-month and six-month periods ended June 30, 2016, which sections are incorporated herein by reference, prospective investors should carefully consider the following factors in evaluating TELUS and its business before making an investment in the Notes.

Structural Subordination of Notes

The Notes will be obligations exclusively of the Company. The Company's existing operations are currently conducted through its subsidiaries. The Company's ability to meet its debt service obligations, including payment of principal and interest on the Notes, is dependent upon the cash flow of its subsidiaries and the payment of funds by its subsidiaries to the Company in the form of loans, dividends, fees or otherwise. The Company's subsidiaries are separate and distinct legal entities and will have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Notes or to make any funds available therefor, whether in the form of loans, dividends or otherwise. Because the Company's subsidiaries will not guarantee the payment of principal of or interest on the Notes, any right of the Company to receive assets of the subsidiaries upon their bankruptcy, receivership, liquidation or reorganization (and the consequent right of the holders of the Notes (the "Noteholders" and each, a "Noteholder") to participate in the distribution of proceeds from those assets) will be effectively subordinated to the claims of such subsidiaries' creditors (including tax authorities, trade creditors and lenders).

Bankruptcy and Related Laws

The Company is incorporated under the laws of the Province of British Columbia and its principal operating assets are located in Canada.

The rights of the Trustees (as defined herein) to enforce remedies are likely to be significantly impaired by the restructuring, receivership, liquidation and other provisions of applicable Canadian bankruptcy, insolvency, restructuring and other similar legislation if the benefit of such legislation is sought with respect to the Company. For example, both the *Bankruptcy and Insolvency Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada) contain provisions enabling "an insolvent person" to obtain a stay of proceedings as against its creditors and others and to prepare and file a proposal or plan to restructure and/or compromise obligations for consideration by all or some of its creditors to be voted on by the various classes of its creditors. Such a restructuring proposal or plan, if accepted by the requisite majorities of creditors and if approved by the court, would be binding on persons who might not otherwise be willing to accept it. Moreover, both statutes permit, in certain circumstances, the insolvent debtor to retain possession and administration of its property, even though it may be in default under the applicable debt instrument.

The powers of the court under applicable Canadian bankruptcy, insolvency, restructuring and other similar legislation (including the *Bankruptcy and Insolvency Act* (Canada) and particularly under the *Companies' Creditors Arrangement Act* (Canada)) have generally been exercised broadly to protect a debtor entity from actions taken by creditors and other parties. Accordingly, it is impossible to predict if payments under the Notes would be made following commencement of or during such a proceeding, whether or when the Trustees could exercise their rights under the U.S. Indenture or whether and to what extent Noteholders would be compensated for any delay, in payments of principal and interest.

No Public Market

There is no established trading market for the Notes. The Company does not intend to have the Notes listed for trading on any securities exchange or quoted on any automated dealer quotation system. The Underwriters have advised the Company that they presently intend to make a market in the Notes, but the Underwriters are not obligated to do so and any such market-making activities may be discontinued at any time without notice at the sole discretion of the Underwriters. Accordingly, no assurance can be given as to the prices or liquidity of, or trading markets for, the Notes. The liquidity of any market for the Notes will depend upon the number of holders of such Notes, the interest of securities dealers in making a market in the Notes and other factors. The absence of an active market for the Notes could adversely affect their market price and liquidity.

Credit Ratings

There can be no assurance that the credit ratings assigned to the Notes will remain in effect for any given period of time or that the ratings will not be withdrawn or revised at any time. For example, on May 7, 2015, DBRS Limited ("DBRS") announced a downgrade to its short-term and long-term credit rating of TELUS, and on July 13, 2016 Moody's Investors Service Inc. ("Moody's") affirmed the Company's Baa1 senior unsecured ratings, but changed the outlook to stable from negative. There can be no assurance that DBRS, Moody's, or any other rating agency, will not downgrade its ratings on the Notes. Real or anticipated changes in credit ratings on the Notes may affect the market value of the Notes. In addition, real or anticipated changes in credit ratings can affect the cost at which TELUS can access the capital markets.

Repurchase upon Change of Control Triggering Event

In the event that the Company is required to offer to repurchase the Notes upon the occurrence of a Change of Control Triggering Event, it may not have sufficient funds to repurchase the Notes in cash at such time. In addition, the Company's ability to repurchase the Notes for cash may be limited by applicable law.

Interest Rate Risks

Prevailing interest rates will affect the market price or value of the Notes. The market price or value of the Notes will decline as prevailing interest rates for comparable debt instruments rise, and will increase as prevailing interest rates for comparable debt instruments decline.

Currency Risks

The Notes are denominated and payable in United States dollars which may entail certain risks, and the extent and nature of such risks change continuously. These risks include, without limitation, the possibility of fluctuations in the United States dollar market, the imposition or modification of exchange controls and potential illiquidity in the secondary market. Prospective purchasers should consult their own financial and legal advisors as to the risks entailed in an investment in Notes denominated in currencies other than Canadian dollars. The Notes are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions.

Foreign Private Issuer Status

As a foreign private issuer, in reliance on NYSE rules that permit a foreign private issuer to follow the corporate governance practices of its home country, the Company is permitted to follow certain Canadian corporate governance practices instead of those otherwise required under the corporate governance standards for U.S. domestic issuers.

Further, as a foreign private issuer, the Company is exempt from a number of requirements under U.S. securities laws that apply to public companies that are not foreign private issuers. In particular, the Company is exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements, and its officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. The Company is exempt from the provisions of Regulation FD, which prohibits the selective disclosure of material non-public information to, among others, broker-dealers and holders of a company's securities under circumstances in which it is reasonably foreseeable that the holder will trade in the company's securities on the basis of the information. Even though Canadian securities law requirements regarding the disclosure of material and non-public information by public companies are similar to U.S. securities law requirements and the Company voluntarily complies with Regulation FD, these exemptions and leniencies will reduce the frequency and scope of information and protections to which purchasers are entitled as investors.

The Company will lose its foreign private issuer status if a majority of its Common Shares are held by U.S. persons and a majority of its directors or executive officers are U.S. citizens or residents or if it fails to meet additional requirements necessary to avoid loss of foreign private issuer status. Although the Company has elected to comply with certain U.S. regulatory provisions, loss of foreign private issuer status would make compliance with such provisions mandatory. The regulatory and compliance costs to the Company under U.S. securities laws as a U.S. domestic issuer may be significantly higher than the costs the Company incurs as a Canadian foreign private issuer eligible to use the multijurisdictional disclosure system adopted by the United States.

If the Company ceases to be a foreign private issuer, it would not be eligible to use the multijurisdictional disclosure system or other foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. The Company may also be required to modify certain of its policies to comply with the governance obligations of U.S. domestic issuers. Such modifications will involve additional costs. In addition, the Company would lose its ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

DESCRIPTION OF THE NOTES

The following description of the Notes is a brief summary of their material attributes and characteristics, which does not purport to be complete and is qualified in its entirety by reference to the U.S. Indenture (as defined below). The following summary uses words and terms which have been defined in the U.S. Indenture. For full particulars, reference is made to the amended and restated short form base shelf prospectus and to the U.S. Indenture.

General

The Notes will be issued under a supplemental indenture (the "First Supplemental Indenture") which, for purposes of that series, will supplement the terms and conditions in the indenture dated September , 2016 (the "U.S. Trust Indenture") among the Company, Computershare Trust Company N.A., as U.S. trustee (the "U.S. Trustee"), and Computershare Trust Company of Canada, as Canadian trustee (the "Canadian Trustee" and together with the U.S. Trustee, the "Trustees"). The First Supplemental Indenture will be entered into between the Company and the Trustees and will be dated as of the closing date of this Offering. The First Supplemental Indenture will provide for, among other things, the creation and issuance of the Notes. The U.S. Trust Indenture is described in the amended and restated short form base shelf prospectus. References herein to the "U.S. Indenture" refer to the U.S. Trust Indenture as supplemented by the First Supplemental Indenture.

The Company may, from time to time, without the consent of Noteholders, create and issue additional Notes, having the same terms and conditions as the Notes in all respects, except for such variations to such terms and conditions as may be required, in the reasonable opinion of the Company, to reflect the different issue dates of such additional Notes and the then existing Notes and any intention that all such additional Notes and the then existing Notes be fungible for trading purposes. Additional Notes issued in this manner will be consolidated with and form a single series with the then existing Notes and, if the Company acting reasonably determines that it is advisable or advantageous to do so, the Company may accept such additional Notes and the then existing Notes in exchange for consolidated and restated replacement Notes reflecting the terms and conditions of such additional Notes and the then existing Notes.

Principal, Maturity and Interest

The Notes will be initially limited to U.S.$ aggregate principal amount (provided that the Company may in the future issue additional Notes up to any additional amount determined by the Company without the consent of existing holders of the Notes), and will mature on , 2027. The Notes will bear interest at the rate of % per annum from their issuance date, payable in equal semi-annual instalments (except for the first interest payment) on and of each year to holders of record on and , respectively. The first interest payment on the Notes will be due on , 2017 and will represent accrued interest from, and including, , to, but excluding, , and will be in the amount of U.S.$.

Principal and interest on the Notes will be payable in lawful money of the United States. The issuance date for the Notes will be on or about , .

On maturity, the Company will repay the indebtedness represented by the Notes by paying the Trustees in U.S. dollars an amount equal to the principal amount of the outstanding Notes plus any accrued and unpaid interest thereon. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The yearly rate of interest to which interest calculated under the Notes for any period in any calendar year (the "calculation period") is equivalent, is the rate payable under the Notes in respect of the calculation period multiplied by a fraction the numerator of which is the actual number of days in such calendar year and the denominator of which is the actual number of days in the calculation period and is disclosed herein solely for the purpose of providing the disclosure required by the *Interest Act* (Canada).

The Notes will be issued only in fully registered form, without coupons, in denominations of U.S.$2,000 of principal amount and any integral multiple of U.S.$1,000 in excess thereof.

Optional Redemption

The Notes may be redeemed at any time prior to the Par Call Date at the option of the Company, in whole or from time to time, in part, on not fewer than 30 nor more than 60 days prior notice at a redemption price equal to the greater of (a) the Discounted Value of the Notes or (b) 100% of the principal amount thereof. The Notes may be redeemed at any time on or after the Par Call Date at the option of the Company, in whole or from time to time, in part, on not fewer than 30 nor more than 60 days prior notice at a redemption price equal to 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption. Unless the Company defaults in the payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption.

In the case of a redemption for less than all of the Notes, the Notes to be redeemed will be selected by the Trustees in such manner as the Trustees deem appropriate.

"Adjusted Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Business Day" when used with respect to any particular location referred to in the U.S. Trust Indenture or in the Notes, means, unless otherwise specified with respect to any Notes pursuant to the U.S. Trust Indenture, any day other than (i) Saturday or Sunday or (ii) any other day on which commercial banking institutions in that location are closed or required or authorized by any applicable law or regulation or executive order to remain closed.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes to be redeemed (assuming, for this purpose, that the Notes matured on the Par Call Date) that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term in years and months of the Notes.

"Comparable Treasury Price" for any redemption date means (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

"Discounted Value" shall mean the sum of the present values of the remaining scheduled payments of principal and interest thereon that would be due if the Notes matured on the Par Call Date but for the redemption (exclusive of any portion of the payments of interest accrued to the redemption date) discounted to any redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus basis points, as calculated by an Independent Investment Banker. The Adjusted Treasury Rate shall be calculated no later than the third Business Day preceding the redemption date.

"Independent Investment Banker" means one of the Reference Treasury Dealers selected by TELUS or, if such firm is unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing in the United States appointed by TELUS.

"Par Call Date" means , , the date that is three months prior to the maturity date of the Notes.

"Reference Treasury Dealers" means each of (1) Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC, Wells Fargo Securities, LLC and/or their affiliates which are primary U.S. government securities dealers, and their respective successors; and (2) one other primary U.S. government securities dealer in the City of New York (a "Primary Treasury Dealer") and its respective successors; provided, however, that if any of the foregoing ceases to be a Primary Treasury Dealer, TELUS will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m. New York time on the third Business Day preceding such redemption date; provided that in the event that the Independent Investment Banker fails to provide the Trustee with the Reference Treasury Dealer Quotations, TELUS will use commercially reasonable efforts to obtain such quotations.

Tax Redemption

The Notes may be redeemed, in whole, but not in part, at the option of TELUS at any time, on not fewer than 30 nor more than 60 days' prior written notice, at 100% of the outstanding principal amount, together with accrued and unpaid interest thereon to the redemption date, in the event TELUS delivers to the Trustees an opinion of independent Canadian tax counsel experienced in such matters to the effect that TELUS has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the outstanding Notes any Additional Amounts (as defined herein) as a result of a change in the laws (including any regulations promulgated thereunder) of Canada, or any province or territory thereof or therein or any agency thereof or therein having the power to tax, or any change in any official position regarding the application or interpretation of such laws or regulations, which change is announced or becomes effective on or after the date of the original issuance of the Notes; provided that TELUS determines, in its business judgment, that the obligation to pay such Additional Amounts cannot be avoided by the use of reasonable measures available to TELUS (not including substitution of the obligor under the Notes).

Repurchase upon Change of Control Triggering Event

If a Change of Control Triggering Event (as defined herein) occurs with respect to the Notes, unless the Company has exercised its optional right to redeem all of the Notes as described under " Optional Redemption" or " Tax Redemption" above, the Company will be required to make an offer to repurchase all or, at the option of the Noteholder, any part (equal to U.S.$2,000 or an integral multiple of U.S.$1,000 in excess thereof) of each holder's Notes pursuant to the offer described below (the "Change of Control Offer") on the terms set forth in the First Supplemental Indenture. In the Change of Control Offer, the Company will be required to offer payment in cash equal to 101% of the aggregate outstanding principal amount of Notes to be repurchased together with accrued and unpaid interest on the Notes to the date of repurchase.

Within 30 days following any Change of Control Triggering Event, the Company will be required to give written notice to Noteholders describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is given. The Company must comply with the requirements of applicable securities laws and regulations in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. The Company shall cause the Change of Control Offer to remain open for at least 20 Business Days or such longer period as is required by applicable law. The Company shall comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations thereunder to the extent that those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any such applicable securities laws and regulations conflict with the Change of Control (as defined herein) provisions, the Company will be required to comply with such laws and regulations and will not be deemed to have breached its obligations to repurchase the Notes by virtue of such conflict.

The Company will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes such an offer substantially in the manner, at the times and in compliance with the requirements for a Change of Control Offer (and for at least the same purchase price payable in cash) and such third party purchases all Notes properly tendered and not withdrawn under its offer.

"Change of Control" shall mean the occurrence of any one of the following: (a) the direct or indirect sale, transfer, conveyance, lease or other disposition (other than by way of consolidation, amalgamation or merger), in one or a series of related transactions, of all or substantially all of the property and assets of the Company and its Subsidiaries (as defined in the amended and restated short form base shelf prospectus), taken as a whole, to any person or group of persons acting jointly or in concert for purposes of such transaction (other than to the Company and its Subsidiaries); or (b) the consummation of any transaction including, without limitation, any consolidation, amalgamation, merger or issue of voting shares the result of which is that any person or group of persons acting jointly or in concert for purposes of such transaction (other than the Company and its Subsidiaries) becomes the beneficial owner, directly or indirectly, of more than 50% of the voting shares of the Company, measured by voting power rather than number of shares (but shall not include the creation of a holding company or similar transaction that does not involve a change in the beneficial ownership of the Company).

"Change of Control Triggering Event" shall mean the occurrence of both a Change of Control and a Rating Event.

"Investment Grade Rating" shall mean a rating equal to or higher than Baa3 (or the equivalent) by Moody's, BBB- (or the equivalent) by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. ("S&P"), or BBB (low) (or the equivalent) by DBRS, or the equivalent investment grade credit rating from any other Specified Rating Agency.

"Rating Event" shall mean the rating on the Notes is lowered to below an Investment Grade Rating by at least two out of three of the Specified Rating Agencies if there are three Specified Rating Agencies or all of the Specified Rating Agencies if there are less than three Specified Rating Agencies (the "Required Threshold") on any day within the 60-day period (which 60-day period will be extended so long as the rating of Notes is under publicly announced consideration for a possible downgrade by such number of the Specified Rating Agencies which, together with Specified Rating Agencies which have already lowered their ratings on the Notes as aforesaid, would aggregate in number the Required Threshold, but only to the extent that, and for so long as, a Change of Control Triggering Event would result if such downgrade were to occur) after the earlier of (a) the occurrence of a Change of Control, and (b) public notice of the occurrence of a Change of Control or of the Company's intention or agreement to effect a Change of Control.

"Specified Rating Agencies" shall mean each of Moody's, S&P and DBRS as long as, in each case, it has not ceased to rate the Notes or failed to make a rating of Notes publicly available for reasons outside of the Company's control; provided that if one or more of Moody's, S&P or DBRS ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Company's control, the Company may select any other "designated rating organization" within the meaning of National Instrument 41-101 of the Canadian Securities Administrators as a replacement agency for such one or more of them, as the case may be.

Purchase of Notes

The Company may, at any time and from time to time, purchase Notes in the market (which may include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or private contract, at any price, subject to applicable law.

Defeasance

The provisions described under "Description of Debt Securities Defeasance Defeasance of Certain Obligations under the U.S. Trust Indenture" in the amended and restated short form base shelf prospectus are applicable to the Notes, including the condition that the Company will deliver to the applicable Trustees an opinion of counsel to the effect that the Noteholders will not recognize income, gain or loss for Canadian or United States federal income tax purposes as a result of such defeasance and will be subject to Canadian and United States federal income tax on the same basis as if such defeasance had not occurred.

Events of Default

Events of Default are described in the amended and restated short form base shelf prospectus under "Description of Debt Securities Events of Default" and reference is made to that section for a list of the events which constitute an Event of Default with respect to the Notes.

Negative Pledge

The U.S. Indenture contains provisions to the effect that the Company will not, nor will it permit any Restricted Subsidiary (as defined herein) to, create or assume any Lien (as defined in the amended and restated short form base shelf prospectus) upon any present or future Principal Property (as defined in the amended and restated short form base shelf prospectus) or any Property (as defined in the amended and restated short form base shelf prospectus) which, together with any other Property subject to Liens in the same transaction or a series of related transactions, would in the aggregate constitute a Principal Property, of the Company or any Restricted Subsidiary, to secure Indebtedness (as defined in the amended and restated short form base shelf prospectus) of the Company or a Restricted Subsidiary unless the Notes (together with, if the Company shall so determine, any other Indebtedness of the Company or any Restricted Subsidiary ranking equally with the Notes then existing or thereafter created), shall be concurrently secured equally and rateably with (or prior to) such other Indebtedness so long as such Lien is outstanding.

The restrictions set forth above shall not apply to certain permitted Liens (each, a "Permitted Lien"), including:

(i) Liens existing on the initial issuance date for the Notes (on or about ,);

(ii) Liens on any Property of any Person (as defined in the amended and restated short form base shelf prospectus) existing at the time such Person becomes a Restricted Subsidiary, or at the time such Person amalgamates or merges with the Company or a Restricted Subsidiary, which Liens are not created in contemplation of such Person becoming a Restricted Subsidiary or effecting such amalgamation or merger;

(iii) Liens on any Property existing at the time such Property is acquired by the Company or a Restricted Subsidiary, or Liens to secure the payment of all or any part of the purchase price of such Property upon the acquisition of such Property by the Company or a Restricted Subsidiary or to secure any Indebtedness incurred prior to, at the time of, or within 270 days after, the later of the date of acquisition of such Property and the date such Property is placed in service, for the purpose of financing all or any part of the purchase price thereof, or Liens to secure any Indebtedness incurred for the purpose of financing the cost to the Company or a Restricted Subsidiary of improvements to such acquired Property or to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of construction of the Property subject to such Liens;

(iv) Liens securing any Indebtedness of a Restricted Subsidiary owing to the Company or to another Restricted Subsidiary;

(v) Liens on Property of the Company or a Restricted Subsidiary securing Indebtedness or other obligations issued by Canada or the United States of America or any state or any department, agency or instrumentality or political subdivision of Canada or the United States of America or any state, or by any other country or any political subdivision of any other country, for the purpose of financing all or any part of the purchase price of, or, in the case of real property, the cost of construction on or improvement of, any property or assets subject to the Liens, including Liens incurred in connection with pollution control, industrial revenue or similar financings;

(vi) Liens securing any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Indebtedness secured by any Permitted Lien, including those referred to in the foregoing clauses (i), (ii), (iii), (iv) and (v); provided, however, that such new Lien is limited to the Property which was subject to the prior Lien immediately before such extension, renewal or replacement, and provided, further, that the principal amount of Indebtedness secured by the prior Lien immediately prior to such extension, renewal or replacement is not increased; and

(vii) any other Liens not otherwise qualifying as a Permitted Lien provided that, at the applicable time, the sum of (without duplication) (x) the aggregate principal amount of the Indebtedness secured by all such other Liens, plus (y) the Attributable Debt (as defined in the amended and restated short form base shelf prospectus) determined at such time of the then outstanding Unrestricted Sale and Lease-Back Transactions (as defined herein) to which the Company or a Restricted Subsidiary is a party, plus (z) the then outstanding principal amount of all other Indebtedness of Restricted Subsidiaries incurred in compliance with "Limitation on Restricted Subsidiary Indebtedness" below (other than any Indebtedness of Restricted Subsidiaries excluded from the calculations of such limitation on Restricted Subsidiary Indebtedness pursuant to the provisos contained therein), does not exceed 15% of the then applicable Consolidated Net Tangible Assets (as defined in the amended and restated short form base shelf prospectus).

"Restricted Subsidiary" means (a) TELUS Communications Inc., (b) TELUS Communications Company, and (c) at any time any other Subsidiary (as defined in the amended and restated short form base shelf prospectus) of the Company if, at the end of the most recent fiscal quarter for which the Company has issued its financial statements, the total assets of such Subsidiary exceeded 10% of the consolidated assets of the Company and its Subsidiaries, determined in accordance with Canadian generally accepted accounting principles consistently applied.

Limitation on Restricted Subsidiary Indebtedness

The U.S. Indenture contains provisions to the effect that TELUS shall not permit any Restricted Subsidiary to, directly or indirectly, create, incur or assume any Indebtedness, unless after giving effect to the incurrence of such Indebtedness and the application of the proceeds therefrom, the sum of (without duplication) (x) the aggregate principal amount of Indebtedness of all Restricted Subsidiaries, plus (y) the then outstanding principal amount of Indebtedness of TELUS secured by Liens (other than any Lien constituting a Permitted Lien under any of clauses (i) to (xxviii) inclusive of the definition of Permitted Liens in the U.S. Indenture), plus (z) Attributable Debt relating to then outstanding Unrestricted Sale and Lease-Back Transactions of TELUS, would not exceed 15% of Consolidated Net Tangible Assets. This restriction does not affect the Permitted Indebtedness (as defined in the First Supplemental Indenture) of Restricted Subsidiaries, which is (1) Indebtedness secured by any Lien constituting a Permitted Lien under any of clauses (i) to (xviii) inclusive of the definition of Permitted Liens in the U.S, Indenture, (2) Indebtedness (excluding Indebtedness outstanding under commercial paper programs) of the Restricted Subsidiaries existing on the date of the First Supplemental Indenture and, in the case of any Person (as defined in the amended and restated short form base shelf prospectus) which is not a Restricted Subsidiary on the date of the First Supplemental Indenture or which ceases to be a Restricted Subsidiary after the date of the First Supplemental Indenture, at the time such Person becomes, or again becomes, as the case may be, a Restricted Subsidiary, (3) Indebtedness owing to TELUS or to another Restricted Subsidiary, (4) commercial paper issued by the Restricted Subsidiaries not to exceed in the aggregate $1 billion, and (5) any extension, renewal or replacement (including successive extensions, renewals or replacements), in whole or in part, of any Indebtedness of the Restricted Subsidiaries referred to in any of the preceding clauses (1), (2), (3) or (4) (provided that the principal amount of such Indebtedness immediately prior to such extension, renewal or replacement is not increased).

Limitation on Sale and Lease-Back Transactions

Neither the Company nor any Restricted Subsidiary may enter into any Sale and Lease-Back Transaction, except for:

(i) any Sale and Lease-Back Transaction constituting certain specified Permitted Liens under the U.S. Indenture; or

(ii) any Sale and Lease-Back Transaction that is not otherwise permitted under clauses (i) above or (iii) below and in respect of which the Company or such Restricted Subsidiary would, at the time it enters into such Sale and Lease-Back Transaction, be entitled to create a Lien on the Principal Property (or the properties, as the case may be) subject to such Sale and Lease-Back Transaction to secure Indebtedness at least equal in amount to the Attributable Debt in respect of such Sale and Lease-Back Transaction without being required to equally and rateably secure the Notes pursuant to the negative pledge described above (any Sale and Lease-Back Transaction entered into in compliance with this paragraph being an "Unrestricted Sale and Lease-Back Transaction"); or

(iii) any Sale and Lease-Back Transaction if the Company or such Restricted Subsidiary shall apply or cause to be applied, in the case of a sale or transfer for cash, an amount equal to the greater of the fair market value of the Principal Property (or the properties, as the case may be) sold or transferred and leased back pursuant to such Sale and Lease-Back Transaction or the net proceeds of such Sale and Lease-Back Transaction and, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair market value of the Principal Property (or the properties, as the case may be) sold or transferred and leased back pursuant to such Sale and Lease-Back Transaction, to (x) the retirement (other than any mandatory retirement), within 180 days after the effective date of such Sale and Lease-Back Transaction, of Indebtedness of the Company (which may but need not include the Debt Securities (as defined in the amended and restated short form base shelf prospectus) of any series) ranking on a parity with, or prior to, the Notes and owing to a Person other than the Company or any Affiliate (as defined in the amended and restated short form base shelf prospectus) of the Company, or (y) the purchase, construction or improvement of real property or personal property used by the Company or the Restricted Subsidiaries in the ordinary course of business.

Other Covenants

In addition to the covenants of the Company described above under " Limitation on Restricted Subsidiary Indebtedness", under " Negative Pledge", which supersedes the provisions described under "Description of Debt Securities Negative Pledge" in the accompanying amended and restated short form base shelf prospectus, and under " Limitation on Sale and Lease-Back Transactions", which supersedes the provisions described under "Description of Debt Securities Limitation on Sale and Lease-Back Transactions" in the accompanying amended and restated short form base shelf prospectus, there are certain additional covenants which are applicable to the Notes that are described in the amended and restated short form base shelf prospectus and reference is made to that document for descriptions of such covenants.

Book-Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Fully-registered global notes (hereinafter referred to as the "Global Notes") will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants' accounts. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, LLC and the Financial Industry Regulatory Authority, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The DTC Rules applicable to its Participants are on file with the SEC.

Purchases of Notes under the DTC system must be made by or through direct participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("beneficial owner") is in turn to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the Global Notes are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the Global Notes, except in the event that use of the book-entry system for the Notes is discontinued.

The deposit of the Global Notes with DTC and their registration in the name of Cede & Co. do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Global Notes; DTC's records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

None of DTC, Cede & Co., or any other DTC nominee will consent or vote with respect to the Global Notes unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to TELUS as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the securities are credited on the record date. These participants are identified in a listing attached to the omnibus proxy.

TELUS will send any redemption notices to DTC. If less than all of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in the issue to be redeemed.

A beneficial owner must give any required notice of its election to have its Notes repurchased through the participant through which it holds its beneficial interest in the Global Notes to the applicable trustee or tender agent. The beneficial owner shall effect delivery of its Notes by causing the direct participant to transfer its interest in the securities on DTC's records. The requirement for physical delivery of Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the securities are transferred by the direct participant on DTC's records and followed by a book-entry credit of tendered Notes to the applicable trustee or agent's DTC account.

The information in this section concerning DTC and DTC's system has been obtained from sources that TELUS believes to be reliable, but is subject to any changes to the arrangement between TELUS and DTC and any changes to these procedures that may be instituted unilaterally by DTC.

Certificated Notes

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to TELUS and the Trustees. Under these circumstances, and in the event that a successor depository is not appointed, Notes in certificated form are required to be printed and delivered. TELUS may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). In that event, Notes in certificated form will be printed and delivered. If at any time DTC ceases to be registered or in good standing under the Exchange Act and a successor depository is not appointed by TELUS within 90 days, the Company determines that the Securities shall no longer be represented by a Global Note or Global Notes or the Trustees have received a request from a beneficial holder of outstanding Notes to issue Notes in certificated form to such holder, TELUS will issue individual Notes in certificated form in exchange for the Global Notes.

Payments

Principal, premium, if any, and interest payments on the Global Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit direct participants' accounts upon DTC's receipt of funds and corresponding detail information from us, on the applicable payment date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with Notes held for the accounts of customers in bearer form or registered in "street name". These payments will be the responsibility of these participants and not of DTC or its nominee, us, the Trustees, or any other agent or party, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal and interest to Cede & Co., or any other nominee as may be requested by an authorized representative of DTC, is our responsibility. Disbursement of the payments to direct participants is the responsibility of DTC, and disbursement of the payments to the beneficial owners is the responsibility of the direct or indirect participants.

The U.S. Trustee will act, pursuant to the U.S. Indenture, as the registrar and paying agent. Payment of principal at maturity will be made at the corporate trust office of the U.S. Trustee (or in such other office as may from time to time be designated by the Company) against surrender of the Notes. If the due date for payment of any amount of principal or interest on any Note is not, at the place of payment, a Business Day such payment will be made on the next Business Day and the applicable Noteholder shall not be entitled to any further interest or other payment in respect of such delay.

Additional Amounts

All payments made by TELUS under or with respect to the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge imposed or levied by or on behalf of the Government of Canada or of any province or territory thereof or therein or by any authority or agency thereof or therein having power to tax (collectively, "Taxes") unless TELUS is required to withhold or deduct Taxes by law or by the interpretation or administration thereof by the relevant government authority or agency. For the Notes, if TELUS is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to such Notes, TELUS will pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by each applicable Noteholder or beneficial owner (including Additional Amounts) after such withholding or deduction will not be less than the amount the applicable Noteholder or beneficial owner would have received if such Taxes had not been withheld or deducted; provided that no Additional Amounts will be payable with respect to:

- any payment to a Noteholder or beneficial owner who is liable for such Taxes in respect of such Note (1) by reason of such Noteholder or beneficial owner being a person with whom TELUS is not dealing at arm's length for the purposes of the *Income Tax Act* (Canada) (the "Tax Act") or (2) by reason of the existence of any present or former connection between such Noteholder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, such Noteholder or beneficial owner, if such Noteholder or beneficial owner is an estate, trust, partnership, limited liability company or corporation) and Canada or any province or territory thereof or therein or agency thereof or therein other than the mere acquisition, holding, use or ownership or deemed holding, use or ownership, or receiving payments or enforcing any rights in respect of such Note as a non-resident or deemed non-resident of Canada or any province or territory thereof or therein or agency thereof or therein;

any payment to a Noteholder or beneficial owner who is a "specified shareholder" of TELUS or who does not deal at arm's length with a "specified shareholder" of TELUS as defined in subsection 18(5) of the Tax Act;

any Note presented for payment more than 30 days after the later of (1) the date on which such payment first becomes due or (2) if the full amount of the monies payable has not been paid to the Noteholders on or prior to such date, the date on which the full amount of such monies has been paid to the Noteholders, except to the extent that the Noteholder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

any estate, inheritance, gift, sales, transfer, excise or personal property tax or any similar tax;

any Taxes imposed as a result of the failure of a Noteholder or beneficial owner to comply with certification, identification, declaration or similar reporting requirements concerning the nationality, residence, identity or connection with Canada or any province or territory thereof or therein or agency thereof or therein of the Noteholder or beneficial owner of such Note, if such compliance is required by statute or by regulation, as a precondition to reduction of, or exemption, from such Taxes;

any Taxes which are payable otherwise than by withholding or deduction from any payment made under or with respect to the Notes; or

any combination of the above items,

nor will such Additional Amounts be paid with respect to any payment on any Note to a Noteholder or beneficial owner who is a fiduciary or partnership or other than the sole beneficial owner of such Note to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof would not have been entitled to receive a payment of such Additional Amounts had such beneficiary, settlor, member or beneficial owner received directly its beneficial or distributive share of such payment.

Where Tax is payable pursuant to Section 803 of the *Income Tax Regulations* by a Noteholder or beneficial owner of the Notes in respect of any amount payable under the Notes to the Noteholder (other than by reason of a transfer of the Notes to a person resident in Canada with whom the transferor does not deal at arm's length for the purposes of such Act), but no Additional Amount is paid in respect of such Tax, TELUS will pay to the Noteholder an amount equal to such Tax within 45 days after receiving from the Noteholder a notice containing reasonable particulars of the Tax so payable, provided such Noteholder or beneficial owner would have been entitled to receive Additional Amounts on account of such Tax but for the fact that it is payable otherwise than by deduction or withholding from payments made under or with respect to the Notes.

Whenever in the U.S. Indenture or in any Note there is mention, in any context, of the payment of principal of, or premium, interest or any other amount on any Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The obligation to pay Additional Amounts will survive any termination or discharge of the **U.S.** Indenture or the redemption, repayment or purchase of the Notes.

Governing Law

Each of the U.S. Indenture and the Notes are governed by, and construed in accordance with, the laws of the State of New York.

Enforceability of Judgments

TELUS is incorporated under and governed by the laws of British Columbia, Canada. A substantial portion of the Company's assets are located outside the United States and some or all of the directors and officers and some or all of the experts named herein are residents of Canada. As a result, it may be difficult for investors to effect service within the United States upon the Company and upon those directors, officers and experts, or to

realize in the United States upon judgments of courts of the United States predicated upon the Company's civil liability and the civil liability of the Company's directors, officers or experts. TELUS has also been advised by Norton Rose Fulbright Canada LLP that there is some doubt as to the enforceability in Canada by a court in original actions, or in actions to enforce judgments of United States courts, of liabilities predicated upon United States federal securities laws.

CERTAIN CANADIAN AND UNITED STATES INCOME TAX CONSIDERATIONS

Certain Canadian Federal Income Tax Considerations

In the opinion of Norton Rose Fulbright Canada LLP and Osler, Hoskin & Harcourt LLP, the following is a general summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a beneficial owner of Notes (including entitlement to all payments thereunder) acquired hereunder who, at all relevant times, for the purposes of the Tax Act, deals at arm's length with the Company (a "Holder"). Notes held by "financial institutions" (as defined in section 142.2 of the Tax Act) will generally not be capital property to such Holders and will generally be subject to special rules contained in the Tax Act. This summary does not take into account these special rules and Holders to whom these rules may be relevant should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "Regulations") and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") published in writing prior to the date hereof. This summary also takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (collectively, the "Proposed Tax Amendments") and assumes that all Proposed Tax Amendments will be enacted in the form proposed. No assurances can be given that the Proposed Tax Amendments will be enacted or will be enacted as proposed. Other than the Proposed Tax Amendments, this summary does not take into account or anticipate any changes in law or the administrative policies or assessing practices of the CRA, whether by judicial, legislative, governmental or administrative decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from those discussed herein.

All amounts relating to the acquisition, holding or disposition of Notes must be converted into Canadian dollars based on the relevant exchange rate quoted by the Bank of Canada at noon on the relevant day or such other rate or rates of exchange acceptable to the Minister of National Revenue (Canada). A Holder may realize a capital gain or capital loss by virtue of exchange rate fluctuations. The amount of interest required to be included in computing the Holder's income for a taxation year will also be affected by fluctuations in the relevant exchange rate.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder and no representations with respect to the income tax consequences to any particular Holder are made. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective investors in Notes should consult their own tax advisors with respect to their own particular circumstances.

Residents of Canada

The following portion of the summary is generally applicable to a Holder who, at all relevant times, for the purposes of the Tax Act, is or is deemed to be resident in Canada, holds the Notes as capital property, and is not affiliated with the Company (a "Resident Holder"). Generally, the Notes will be capital property to a Resident Holder provided the Resident Holder does not acquire or hold the Notes in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Resident Holders whose Notes might not otherwise qualify as capital property may be entitled to obtain such qualification in certain circumstances by making the irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Notes and every other "Canadian security", as defined in the Tax Act, owned by such Resident Holder in the taxation year in which the election is made, and in all subsequent taxation years, to be capital property. This summary is not applicable to a Holder (i) an interest in which is a "tax shelter investment" as defined in the Tax Act, (ii) that has elected to report its Canadian tax results in a currency other than Canadian currency under the "functional currency" rules under the Tax Act, or (iii) that enters into, with respect to the Notes, a "derivative forward agreement" as defined in the Tax Act.

Taxation of Interest on the Notes

A Resident Holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on a Note that accrues or is deemed to accrue to the Resident Holder to the end of that taxation year, or becomes receivable or is received by the Resident Holder before the end of that taxation year, to the extent that such amount was not otherwise included in the Resident Holder's income for a preceding taxation year.

Any other Resident Holder, including an individual or a trust (other than trusts described in the preceding paragraph), will be required to include in computing its income for a taxation year any interest on a Note that is received or receivable by such Resident Holder in that year (depending upon the method regularly followed by the Resident Holder in computing income), to the extent that such amount was not otherwise included in the Resident Holder's income for a preceding taxation year.

A Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for a refundable tax on investment income. For this purpose, investment income will generally include interest income.

On a disposition or deemed disposition of a Note, including a redemption, a payment on maturity, or a repurchase, a Resident Holder will generally be required to include in computing its income for the taxation year in which the disposition occurs the amount of interest accrued (or deemed to have accrued) on the Note from the date of the last interest payment to the date of disposition to the extent that such amount has not otherwise been included in the Resident Holder's income for the taxation year or a preceding taxation year.

In addition, any amount paid by the Company to a Resident Holder as a penalty or bonus because of the repayment of all or part of the principal amount of a Note before its maturity (including as a result of the Company's exercise of a redemption right or as a result of the Company being required to repurchase the Notes as a result of a Change of Control) will generally be deemed to be interest received by a Resident Holder at that time and will be required to be included in computing the Resident Holder's income as described above to the extent such amount can reasonably be considered to relate to, and does not exceed the value at the time of payment of, the interest that would have been paid or payable by the Company on the Note for a taxation year ending after that time.

Disposition of Notes

In general, on a disposition or deemed disposition, including a redemption, payment on maturity or repurchase, a Resident Holder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any accrued interest and any amounts included in the Resident Holder's income on such disposition or deemed disposition as interest, exceed (or are less than) the adjusted cost base of the Note to the Resident Holder immediately before the disposition or deemed disposition and any reasonable costs of disposition.

Generally, one half of the amount of any capital gain (a "taxable capital gain") realized by a Resident Holder in a taxation year must be included in the Resident Holder's income in that year and, subject to and in accordance with the provisions of the Tax Act, one half of the amount of any capital loss (an "allowable capital loss") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses in excess of taxable capital gains in any particular year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act. A capital gain realized by an individual or a trust (other than specified trusts) may give rise to a liability for alternative minimum tax.

As discussed above, a Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for an additional refundable tax on investment income. For this purpose, investment income will generally include taxable capital gains.

Non-Residents of Canada

The following portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Tax Act, is not, and is not deemed to be, a resident of Canada, has not and will not use or hold the Notes in or in the course of carrying on business in Canada, deals at arm's length with any person resident in Canada to whom the Holder disposes of a Note and is neither a "specified shareholder" (as defined in subsection 18(5) of the Tax Act) of the Company nor a person who does not deal at arm's length with such specified shareholder (a "Non-Resident Holder"). Special rules, which are not discussed below, may apply to a non-resident of Canada that is an insurer which carries on business in Canada and elsewhere. This summary assumes that no interest paid on the Notes will be in respect of a debt or other obligation to pay an amount to a person with whom the Company does not deal at arm's length within the meaning of the Tax Act.

Amounts which are, or are deemed to be, interest for purposes of the Tax Act paid or credited by the Company on the Notes to a Non-Resident Holder that deals at arm's length with the Company at the time such interest is paid or credited will not be subject to non-resident withholding tax and no non-resident withholding tax will apply to the proceeds received by a Non-Resident Holder on a disposition of a Note, including a redemption, payment on maturity or repurchase. For the purposes of the Tax Act, related persons (as defined in the Tax Act) are deemed not to deal at arm's length and it is a question of fact whether persons not related to each other deal at arm's length.

No other tax on income or gains under the Tax Act will be payable by a Non-Resident Holder on interest, principal, premium, bonus or penalty on a Note or on the proceeds received by a Non-Resident Holder on the disposition of a Note, including a redemption, payment on maturity or repurchase.

Certain United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations relating to the purchase, ownership, and disposition of a Note by a U.S. holder (as defined below) that purchases such Note pursuant to, and at the price set forth on the cover of, this prospectus supplement and holds the Note as a "capital asset" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "IRC"). This summary is based upon the IRC, regulations of the Treasury Department promulgated or proposed thereunder, administrative pronouncements, and judicial decisions, all as currently in effect and all of which are subject to change or different interpretations, possibly with retroactive effect. This summary does not describe all of the U.S. federal income tax considerations that may be relevant to U.S. holders (as defined below) in light of their particular circumstances or to holders subject to special treatment under U.S. federal income tax law, such as banks, financial institutions; insurance companies; traders or dealers in securities or currencies; partnerships and their partners; regulated investment companies; real estate investment trusts; tax-exempt organizations; persons holding a Note as part of a straddle, hedge, conversion, constructive sale, or other integrated security transaction for U.S. federal income tax purposes; persons subject to the alternative minimum tax; U.S. expatriates; or persons having a functional currency other than the U.S. dollar; or persons who do not deal at arm's length with the Company.

For purposes of this summary, a "U.S. holder" is a beneficial owner of a Note that is (i) an individual who is a citizen or resident alien of the U.S. as determined for U.S. federal income tax purposes (which includes a "green card holder"), (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, that is created in or organized under the law of the U.S., any State thereof, or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust, or (B) that elected to be subject to tax as a United States person under the IRC.

If a partnership, or other entity or arrangement treated as a partnership for U.S. federal income tax purposes, owns a Note, the tax treatment of the partner in the partnership will depend upon the status of the partner and the activities of the partnership. Partners in a partnership that own a Note are urged to consult their own tax advisors as to the particular U.S. federal income tax consequences applicable to them.

This summary does not constitute, and should not be considered as, legal or tax advice to holders of Notes. Prospective investors are urged to consult their own tax advisors with regard to the application of the tax considerations discussed below to their particular situations as well as the application of any state, local, foreign or other tax laws, including gift and estate tax laws.

Payment of Interest

In general, each payment of interest (including any Additional Amounts) on a Note will be included in the gross income of a U.S. holder as ordinary income at the time it is accrued or received, in accordance with such holder's method of accounting for U.S. federal income tax purposes.

Sale, Exchange, Redemption or Other Taxable Disposition of a Note

Upon the sale, exchange, redemption or other taxable disposition of a Note, a U.S. holder will generally recognize capital gain or loss equal to the difference between (i) the amount realized on such disposition (other than amounts attributable to accrued interest not previously included in income, which will be subject to tax as foreign source interest income, as discussed above) and (ii) such holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note will generally be the amount paid for the Note. Such gain or loss attributable to the sale, exchange, redemption, or other taxable disposition of a Note will be long-term gain or loss if the U.S. holder's holding period for the Note exceeds one year. Gain or loss, if any, recognized by a U.S. holder will generally be treated as U.S. source gain or loss, as the case may be, for U.S. foreign tax credit limitation purposes. For non-corporate U.S. holders, including individuals, long-term capital gains generally are taxed at a lower rate than ordinary income. The deductibility of capital losses is subject to limitations under the IRC.

Notes Subject to Contingencies

In certain circumstances (see "*Description of the Notes Change of Control*"), the Company may be obligated to pay a U.S. holder additional payments in excess of stated interest or principal on the Notes. It is possible that the Company's obligation to make additional payments on the Notes could implicate the provisions of Treasury regulations relating to "contingent payment debt instruments." If the Notes were characterized as contingent payment debt instruments, a U.S. holder might, among other things, be required to accrue interest income at a higher rate than the stated interest rate on the Notes and to treat any gain recognized on the sale or other disposition of a Note as ordinary income rather than as capital gain.

The Company intends to take the position that the likelihood of additional payments on the Notes is remote, and thus, that the Notes should not be treated as contingent payment debt instruments. The Company's determination that these contingencies are remote is binding on a U.S. holder unless the holder discloses its contrary position in the manner required by applicable Treasury regulations. The Company's determination, however, is not binding on the U.S. Internal Revenue Service (the "IRS"), and if the IRS were to challenge this determination, a U.S. holder might be required to treat income realized on the taxable disposition of a Note before the resolution of the contingencies as ordinary income rather than capital gain. In the event a contingency occurs, it would affect the amount and timing of income recognized by a U.S. holder. If any contingent amounts are in fact paid, a U.S. holder will be required to recognize such amounts as income.

This disclosure assumes that the Company's determination that the contingencies are remote is correct. The Treasury regulations applicable to contingent payment debt instruments have not been the subject of authoritative interpretation, however, and the scope of the regulations is not certain. U.S. holders are urged to consult their tax advisors regarding the possible application of the contingent payment debt instrument rules to the Notes.

Backup Withholding and Reporting Obligations

A U.S. holder may be subject to backup withholding with respect to payments received from certain U.S. paying agents of principal and interest made on a Note, or the proceeds of a sale or exchange of a Note before maturity, unless such U.S. holder (a) is a corporation or comes within certain other exempt categories and, when required, certifies to this fact or (b) provides a correct U.S. taxpayer identification number ("TIN"), certifies, under penalties of perjury, that such U.S. holder is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A U.S. holder that does not provide the Company with a correct TIN or an adequate basis for exemption may be subject to penalties imposed by the IRS. Backup withholding is not an additional tax and will be credited against a U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Certain U.S. holders that are individuals are required to report information relating to an interest in a Note, subject to certain exceptions (including an exception for a Note held in accounts maintained by certain financial institutions, such as a U.S. brokerage account). U.S. holders are urged to consult their tax advisors regarding the effect, if any, of the relevant U.S. federal income tax legislation on their ownership and disposition of the Notes.

Additional Tax on Passive Income

U.S. holders that are individuals, estates or trusts, and whose income exceeds certain thresholds, are required to pay an additional 3.8% tax on, among other items, interest income and capital gains from the sale or other disposition of a Note, subject to certain limitations and exceptions. U.S. holders are urged to consult their tax advisors regarding the effect, if any, of the relevant U.S. federal income tax legislation on their ownership and disposition a Note.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC and Wells Fargo Securities, LLC are acting as representatives of the Underwriters named below.

Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each Underwriter named below has agreed to purchase, severally and not jointly, and the Company has agreed to sell to that Underwriter, the principal amount of Notes set forth opposite the Underwriter's name.

Underwriters	Principal Amount of Notes
Merrill Lynch, Pierce, Fenner & Smith Incorporated	U.S.$
RBC Capital Markets, LLC	
RBC Dominion Securities Inc.	
Wells Fargo Securities, LLC	
TD Securities (USA) LLC	
Total	U.S.$

The underwriting agreement provides that the obligations of the Underwriters to purchase the Notes included in this Offering may be terminated in their discretion on the basis of their assessment of the state of the financial markets and also upon the occurrence of certain stated events. The Underwriters are, however, obligated to purchase all of the Notes if they purchase any of the Notes under the underwriting agreement. The Underwriters propose to offer some of the Notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the Notes to dealers at the public offering price less a concession not to exceed 0.500%. The Underwriters may allow, and the dealers may allow, a concession not to exceed 0.25% on sales to other dealers with respect to the Notes. The offering price and the other terms of the Notes have been determined by negotiation between the Company and the Underwriters.

The following table shows the Underwriters' fee that the Company will pay to the Underwriters in connection with this Offering (expressed as a percentage of the principal amount of the Notes):

	Paid by the Company
Per Note	%

After the Underwriters have made a reasonable effort to sell all of the Notes at the initial offering price, the concessions allowed and the offering price of the Notes may be changed (but not in excess of the initial offering price) and the compensation realized by the Underwriters will change accordingly.

In connection with the Offering, the representatives, on behalf of the Underwriters, may, subject to applicable laws, bid for, purchase or sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of the Notes in excess of the principal amount of the Notes to be purchased by the Underwriters in the Offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of the Notes made for the purpose of preventing or retarding a decline in the market prices of the Notes while the Offering is in progress.

The Underwriters also may impose a penalty bid. Penalty bids permit the Underwriters to reclaim a selling concession from a syndicate member when the representatives, in covering syndicate short positions or making stabilizing purchases, repurchase Notes originally sold by that syndicate member.

Any of these activities may have the effect of preventing or retarding a decline in the market prices of the Notes. They may also cause the prices of the Notes to be higher than the prices that otherwise would exist in the open market in the absence of these transactions. The Underwriters may conduct these transactions in the over-the-counter market or otherwise. Neither the Company nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that such transactions may have on the prices of the Notes. In addition, if the Underwriters commence any of these transactions, they may discontinue them at any time without notice.

This Offering is being made in the United States and in all the provinces of Canada pursuant to a multijurisdictional disclosure system implemented by securities regulatory authorities in Canada and the United States. Subject to applicable law, the Underwriters may offer the Notes outside Canada and the United States. No sales will be effected in any province of Canada by any Underwriter not duly registered as a securities dealer under the laws of such province, other than sales effected pursuant to the exemptions from the registration requirements under the laws of such province.

The Company estimates that its total expenses for the Offering will be approximately U.S.$730,000 (not including the Underwriters' fee).

Each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC, RBC Dominion Securities Inc., Wells Fargo Securities, LLC, TD Securities (USA) LLC and is an affiliate of a financial institution which is a lender to the Company under the 2016 Credit Facility. Each of RBC Capital Markets, LLC, RBC Dominion Securities Inc., Wells Fargo Securities, LLC, TD Securities (USA) LLC and is an affiliate of a financial institution which is a lender to TELUS International (Cda) Inc. under the TELUS International Credit Facility. Consequently, the Company may be considered to be a connected issuer of each such Underwriter for purposes of securities legislation of the provinces of Canada.

The 2016 Credit Facility consists of a $2.25 billion unsecured revolving credit facility maturing May 31, 2021. As of June 30, 2016, no amounts were drawn on the 2016 Credit Facility and approximately $975 million was utilized to backstop outstanding commercial paper. As at the date hereof, no amounts are drawn on the 2016 Credit Facility.

The TELUS International Credit Facility consists of a U.S.$330 million bank credit facility expiring on May 31, 2021. As of June 30, 2016, U.S.$285 million was drawn on the TELUS International Credit Facility. As at the date hereof U.S.$285 million was drawn on the TELUS International Credit Facility.

TELUS is and has been in compliance with the terms of the 2016 Credit Facility and the TELUS International Credit Facility. None of the lenders under the 2016 Credit Facility or the TELUS International Credit Facility or the Underwriters were involved in the Company's decision to distribute the Notes offered hereby. The Underwriters negotiated the terms and conditions of this Offering and will not benefit in any manner from this Offering other than the payment of their fees as described above. The net proceeds will be used to repay approximately U.S.$ million of outstanding commercial paper and for general corporate purposes. The proceeds of this Offering will not be applied for the benefit of the Underwriters or their affiliates.

As described above, the net proceeds will be used to repay approximately U.S.$ million of outstanding commercial paper and for general corporate purposes. **Certain affiliates of the Underwriters may be holders of the Company's commercial paper. As a result, one or more affiliates of the Underwriters may receive more than 5% of the net proceeds from this Offering in the form of the repayment of indebtedness. Accordingly, this Offering is being made pursuant to Rule 5121 of the Financial Industry Regulatory Authority ("FINRA"). The appointment of a qualified independent underwriter is not necessary in connection with this Offering because the conditions of Rule 5121(a)(1)(C) of FINRA are satisfied.**

In addition, in the ordinary course of their business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Company or its affiliates. If any of the Underwriters or their affiliates have a lending relationship with the Company, certain of those Underwriters or their affiliates routinely hedge, and certain other of those Underwriters or their affiliates may hedge, their credit exposure to the Company consistent with their customary risk management policies. Typically, these Underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Company's securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the Underwriters may be required to make because of any of those liabilities.

Selling Restrictions

European Economic Area

In relation to each member state of the European Economic Area (each, a "relevant member state") which has implemented the Prospectus Directive (as described below), each Underwriter has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the "relevant implementation date"), it has not made and will not make an offer of Notes to the public in that relevant member state prior to the publication of a prospectus in relation to such offer that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, it may, with effect from and including the relevant implementation date, make an offer of Notes to the public in that relevant member state at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives, on behalf of the underwriters, for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any Notes in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the expression may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state) and includes any relevant implementing measure in the relevant member state and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each Underwriter has represented and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "FSMA")), received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

it has complied and will comply with all applicable provisions of the FSMA and of the Financial Services Act of 2012 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

This prospectus supplement and the amended and restated short form base shelf prospectus have not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. Each Underwriter has represented and agreed that:

the Notes will not be offered or sold in Hong Kong other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

no advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This prospectus supplement and the amended and restated short form base shelf prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Underwriter has represented and agreed that this prospectus supplement, the amended and restated short form base shelf prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Each underwriter has acknowledged that where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then securities, debentures and units of securities and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 except: (i) to an institutional investor under

Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is or will be given for the transfer; (iii) where the transfer is by operation of law; (iv) as specified in Section 276(7) of the SFA; or (v) as specified in Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each Underwriter has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon on behalf of the Company by Paul, Weiss, Rifkind, Wharton & Garrison LLP, New York, New York, the Company's U.S. counsel, and Norton Rose Fulbright Canada LLP, Toronto, Ontario, the Company's Canadian counsel, and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP, Toronto, Ontario and New York, New York, the Underwriters' Canadian and U.S. counsel. The partners and associates of each of Osler, Hoskin & Harcourt LLP and Norton Rose Fulbright Canada LLP as a group each beneficially own, directly or indirectly, less than 1% of the outstanding securities of the Company.

INTERESTS OF EXPERTS

The auditor for the Company is Deloitte LLP, Independent Registered Public Accounting Firm, Vancouver, British Columbia. Deloitte LLP is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia, and the rules and standards of the Public Company Accounting Oversight Board (United States) and the securities laws and regulations administered by the SEC.

Amended and Restated Short Form Base Shelf Prospectus dated August 30, 2016, amending and restating the Short Form Base Shelf Prospectus dated March 29, 2016

**AMENDED AND RESTATED SHORT FORM BASE SHELF PROSPECTUS,
DATED AUGUST 30, 2016, AMENDING AND RESTATING THE
SHORT FORM BASE SHELF PROSPECTUS DATED MARCH 29, 2016**

New Issue August 30, 2016

TELUS Corporation

$3,000,000,000

Debt Securities
Preferred Shares
Common Shares
Warrants to Purchase Equity Securities
Warrants to Purchase Debt Securities
Share Purchase Contracts
Share Purchase or Equity Units
Subscription Receipts

TELUS Corporation ("TELUS" or the "Company") may offer and issue from time to time any bonds, debentures, notes or other evidences of indebtedness of any kind, nature or description (collectively, "Debt Securities"), preferred shares or common shares (collectively, the "Equity Securities"), warrants to purchase Equity Securities and warrants to purchase Debt Securities (collectively, the "Warrants"), Share Purchase Contracts (as defined under "Description of Share Purchase Contracts and Share Purchase or Equity Units" herein), Share Purchase or Equity Units (as defined under "Description of Share Purchase Contracts and Share Purchase or Equity Units" herein), and subscription receipts that entitle the holder to receive upon satisfaction of certain release conditions, and for no additional consideration, Debt Securities, Equity Securities, Warrants, Share Purchase Contracts or Share Purchase or Equity Units ("Subscription Receipts", and together with the Debt Securities, Equity Securities, Warrants, Share Purchase Contracts or Share Purchase or Equity Units, the "Securities") of up to $3,000,000,000 aggregate initial offering price of Securities (or the equivalent thereof in one or more foreign currencies or composite currencies, including United States dollars) during the 25 month period commencing March 29, 2016 that this amended and restated short form base shelf prospectus (the "Prospectus"), including any amendments thereto, is valid. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying shelf prospectus supplement (a "Prospectus Supplement").

The specific terms of the Securities with respect to a particular offering will be set out in the applicable Prospectus Supplement and may include, where applicable (i) in the case of Debt Securities, the specific designation, aggregate principal amount, the currency or the currency unit for which the Debt Securities may be purchased, the maturity, interest provisions, authorized denominations, offering price, covenants, events of default, any terms for redemption or retraction, any exchange or conversion terms, whether the debt is senior or subordinated and any other terms specific to the Debt Securities being offered; (ii) in the case of common shares of TELUS ("Common Shares"), the number of Common Shares offered and the offering price; (iii) in the case of Equity Securities other than Common Shares, the designation of the particular class and series, the number of shares offered, the issue price, dividend rate, if any, and any other terms specific to the Equity Securities being offered; (iv) in the case of Warrants, the designation, number and terms of the Equity Securities or Debt Securities purchasable upon exercise of the Warrants, any procedures that will result in the adjustment of these numbers, the exercise price, dates and periods of exercise, the currency in which the Warrants are issued and any other specific terms; (v) in the case of Share Purchase Contracts, the designation, number and terms of the Equity Securities to be purchased under the Share Purchase Contract, any procedures that will result in the adjustment of these numbers, the purchase price and purchase date or dates of the Equity Securities, any requirements of the purchaser to secure its obligations under the Share Purchase Contract and any other specific terms; (vi) in the case of Share Purchase or Equity Units, the terms of the component Share Purchase Contract and Debt Securities or third party obligations, any requirements of the purchaser to secure its obligations under the Share Purchase Contract by the Debt Securities or third party obligations and any other specific terms; and (vii) in the case of Subscription Receipts, the offering price (or the manner of determination thereof if offered on a non-fixed price basis), the procedures for the exchange of Subscription Receipts for Debt Securities, Equity Securities, Warrants, Share Purchase Contracts or Share Purchase or Equity Units, as the case may be, and any other specific terms thereof. Where required by statute, regulation or policy, and where Securities are offered in currencies other than Canadian dollars, appropriate disclosure of foreign exchange rates applicable to such Securities will be included in the Prospectus Supplement describing such Securities.

All information permitted under applicable securities laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be deemed to be incorporated by reference into this Prospectus as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

TELUS has filed an undertaking with the British Columbia Securities Commission that it will not distribute Securities that, at the time of distribution, are novel specified derivatives or asset-backed securities without pre-clearing with the applicable regulator the disclosure to be contained in the Prospectus Supplement pertaining to the distribution of such Securities.

For the purpose of calculating the Canadian dollar equivalent of the aggregate principal amount of Securities issued under this Prospectus from time to time, Securities denominated in or issued in, as applicable, a currency (the "Securities Currency") other than Canadian dollars will be translated into Canadian dollars using the Bank of Canada noon rate of exchange of Canadian dollars with the Securities Currency in effect as of noon (Toronto time) on the date of issue of such Securities.

TELUS maintains its registered office at 510 W. Georgia St., 7th Floor, Vancouver, British Columbia V6B 0M3 and its executive office at 510 W. Georgia St., 23rd Floor, Vancouver, British Columbia V6B 0M3.

This offering is made by a Canadian issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this Prospectus in accordance with the disclosure requirements of Canada. Prospective investors in the United States should be aware that such requirements are different from those of the United States. The financial statements included or incorporated herein have been prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS-IASB"), and they are subject to Canadian and United States auditing and auditor independence standards. They may not be comparable to financial statements of United States companies.

Prospective investors should be aware that acquisition of the Securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that TELUS is incorporated or organized under the laws of the Province of British Columbia, that some or all of its officers and directors may be residents of Canada, that some or all of the underwriters or experts named in this Prospectus and/or in a Prospectus Supplement may be residents of Canada, and that all or a substantial portion of the assets of TELUS and said persons may be located outside the United States.

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Prospectus constitutes a public offering of the Securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such Securities. The Company may offer and sell Securities to or through underwriters or dealers and also may offer and sell certain Securities directly to other purchasers or through agents. A Prospectus Supplement relating to each issue of Securities offered thereby will set forth the names of any underwriters, dealers or agents involved in the sale of such Securities and the compensation of any such underwriters, dealers or agents. The Common Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "T" and the New York Stock Exchange (the "NYSE") under the symbol "TU". Unless otherwise specified in the applicable Prospectus Supplement, Securities other than the Common Shares will not be listed on any securities exchange.

The offering of Securities hereunder is subject to approval of certain legal matters on behalf of TELUS by Norton Rose Fulbright Canada LLP, Toronto, Ontario and by Paul, Weiss, Rifkind, Wharton & Garrison LLP, New York, New York.

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Unless the context otherwise indicates, references in this Prospectus to "TELUS" or the "Company" are references to TELUS Corporation, its consolidated subsidiaries and predecessor companies.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Company, which have been filed by the Company with the securities commissions or similar regulatory authorities in each of the provinces of Canada, are specifically incorporated by reference into, and form an integral part of, this Prospectus:

(i) the annual information form of the Company dated March 10, 2016 for the year ended December 31, 2015;

(ii) the audited consolidated financial statements of the Company as at and for the years ended December 31, 2015 and December 31, 2014, together with the report of the independent registered public accounting firm thereon and the notes thereto;

(iii) Management's Discussion and Analysis of financial results for the year ended December 31, 2015;

(iv) Section 10 (Risks and risk management) of the Management's Discussion and Analysis of financial results for the three-month period ended March 31, 2016;

(v) the unaudited condensed interim consolidated financial statements of the Company as at and for the three-month and six-month periods ended June 30, 2016 and June 30, 2015 together with the notes thereto;

(vi) Management's Discussion and Analysis of financial results for the three-month and six-month periods ended June 30, 2016; and

(vii) the information circular dated March 9, 2016 prepared in connection with the Company's annual general meeting held on May 5, 2016.

Any documents of a type described in Item 11.1 of Form 44-101F1 *Short Form Prospectus*, including the types referred to above, any material change reports (excluding confidential reports), and business acquisition reports filed by the Company pursuant to the requirements of securities legislation of any province of Canada, and any other disclosure document which the Company has filed pursuant to an undertaking to a securities regulatory authority of any province of Canada, in each case, after the date of this Prospectus and prior to the date on which this Prospectus ceases to be effective, shall be deemed to be incorporated by reference into this Prospectus. In addition, to the extent indicated in any Report on Form 6-K filed with the United States Securities and Exchange Commission (the "SEC") or in any Report on Form 40-F filed with the SEC, any information included therein shall be deemed to be incorporated by reference in this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state

that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Prospectus, except as so modified or superseded.

A Prospectus Supplement containing the specific terms of an offering of Securities, updated disclosure of earnings coverage ratios, if applicable, and other information relating to the Securities, will be delivered to prospective purchasers of such Securities together with this Prospectus and will be deemed to be incorporated into this Prospectus as of the date of such Prospectus Supplement only for the purpose of the offering of the Securities covered by that Prospectus Supplement.

Upon the filing of a subsequent annual information form and the related annual financial statements by the Company with and, where required, accepted by, the applicable securities regulatory authorities during the currency of this Prospectus, the previous annual information form, the previous annual financial statements and all interim financial statements, and the accompanying Management's Discussion and Analysis, and material change reports filed prior to the commencement of the Company's financial year in which such subsequent annual information form is filed, and information circulars and business acquisition reports filed prior to the commencement of the Company's financial year in respect of which such subsequent annual information form is filed, shall be deemed no longer to be incorporated into this Prospectus for purposes of further offers and sales of Securities hereunder. Upon interim financial statements and the accompanying Management's Discussion and Analysis for subsequent interim periods being filed with the applicable securities regulatory authorities during the currency of this Prospectus, all interim financial statements and the accompanying Management's Discussion and Analysis filed prior to such subsequent interim financial statements will be deemed no longer to be incorporated into this Prospectus for purposes of further offers and sales of Securities hereunder. Upon the Company filing an information circular in connection with an annual general meeting, the information circular filed in connection with the previous annual general meeting (unless such information circular also related to a special meeting) will be deemed no longer to be incorporated into this Prospectus for purposes of further offers and sales of the Securities hereunder.

In addition to its continuous disclosure obligations under the securities laws of the provinces of Canada, TELUS is subject to the information requirements of the *United States Securities Exchange Act of 1934*, as amended, and in accordance therewith files reports and other information with the SEC. Under the multijurisdictional disclosure system adopted by the United States, such reports and other information may be prepared in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. Such reports and other information, when filed by TELUS in accordance with such requirements, can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C., 20549. Copies of such material can be obtained at prescribed rates from such public reference facilities of the SEC at 100 F Street, N.E., Washington, D.C., 20549. In addition, such materials are also available to the public on the SEC's website at www.sec.gov. The Common Shares are listed on the New York Stock Exchange and reports and other information concerning TELUS can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York, 10005.

Prospective investors should rely only on the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement. The Company has not authorized anyone to provide prospective investors with different or additional information. The Company is not making an offer of the Securities in any jurisdiction where the offer is not permitted by law. Prospective investors should not assume that the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement is accurate as of any date other than the date on the front of this Prospectus or the applicable Prospectus Supplement.

Any "template version" of any "marketing materials" (as such terms are defined in National Instrument 41-101 *General Prospectus Requirements*) filed after the date of a Prospectus Supplement and before the termination of the distribution of the Securities offered pursuant to such Prospectus Supplement (together with this Prospectus) is deemed to be incorporated by reference in such Prospectus Supplement.

REFERENCE TO CURRENCY

Unless the context otherwise requires, all references herein to currency are references to Canadian dollars. For Securities issued in other than Canadian currency, potential purchasers should be aware that foreign exchange fluctuations are likely to occur from time to time and that the Company does not make any representation with respect to currency values from time to time. Investors should consult their own advisors with respect to the potential risk of currency fluctuations.

FORWARD-LOOKING STATEMENTS

This Prospectus, together with the documents incorporated by reference herein, contain forward-looking statements about expected events and the financial and operating performance of TELUS. Forward-looking statements include statements relating to annual targets, outlook, updates, the Company's multi-year dividend growth program, the Company's multi-year share purchase program, and trends. Forward-looking statements are typically identified by the words "assumption", "goal", "guidance", "objective", "outlook", "strategy", "target" and other similar expressions, or future or conditional verbs such as "aim", "anticipate", "believe", "predict", "could", "expect", "intend", "may", "plan", "seek", "should", "strive" and "will". By their nature, forward-looking statements do not refer to historical facts, are subject to inherent risks and require the Company to make assumptions. There is significant risk that forward-looking statements will not prove to be accurate. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements. The Company's general trends, outlook and assumptions for 2016 are described in the Company's Management's Discussion and Analysis of financial results for the year ended December 31, 2015, and updates to the Company's trends and assumptions for 2016 are presented in the Company's Management's Discussion and Analysis of financial results for the three-month and six-month periods ended June 30, 2016. Factors that could cause actual performance to differ materially from the forward-looking statements made herein and in the documents incorporated by reference include, but are not limited to, the following:

<u>Competition</u> including: continued intense rivalry across all services among wireless and wireline telecommunications companies, cable-TV providers, other communications companies and over-the-top ("OTT") services, which, among other things, places pressures on average revenue per subscriber unit per month ("ARPU") and churn for all services; mergers and acquisitions of industry competitors, including the integration of cable-TV and wireless companies; competition from global players for international roaming services; the Company's ability to continue to retain customers through an enhanced customer service experience; pressures on wireless ARPU and churn from market conditions and government actions, customer usage patterns, flat-rate pricing trends for voice and data, inclusive long distance plans for voice and increasing availability of Wi-Fi networks for data; pressures on high-speed Internet and TV ARPU and churn resulting from market conditions, government actions and customer usage patterns; residential network access line ("NAL") losses; subscriber additions and retention volumes and associated costs for wireless, TV and high-speed Internet services; the potential entry of new competitors; and the Company's ability to obtain and offer content on a timely basis across multiple devices on wireless and TV platforms at a reasonable cost.

<u>Technological substitution</u> including: reduced utilization and increased commoditization of traditional wireline voice local and long distance services from impacts of OTT applications and wireless substitution, and overall slower subscriber growth in the wireline segment; the increasing number of households that have only wireless and/or Internet-based telephone services; continuation of wireless voice ARPU declines as a result of, among other factors, substitution to messaging and OTT applications; substitution to increasingly available Wi-Fi services from wireless services; and OTT Internet protocol ("IP") services that may displace TV and entertainment services, and impact revenue.

<u>Technology</u> including: subscriber demand for data that challenges wireless networks and spectrum capacity levels; the Company's reliance on legacy systems and information technology; technology options, evolution paths and roll-out plans for wireless and wireline networks (including broadband initiatives, such as fibre-to-the-premises ("FTTP"), wireless small-cell deployment, 5G wireless and availability of resources and ability to build out adequate broadband capacity); the Company's reliance on wireless network access agreements; choice of suppliers and those suppliers' ability to maintain and service their product lines; supplier concentration and market power for network equipment, TELUS

TV® and wireless handsets; the performance of long-term evolution ("LTE") wireless technology; the Company's expected long-term need to acquire additional spectrum capacity through future spectrum auctions and from third parties to address increasing demand for data; deployment and operation of new wireless networks and success of new products, new services and supporting systems, including the Internet of Things ("IoT") services for Internet-connected devices; deployment and operation of new wireline broadband networks at a reasonable cost and availability, and success of new products and services to be rolled out on such networks; network reliability and change management; timing of decommissioning of certain legacy wireline networks, systems and services to reduce operating costs; timing of decommissioning of CDMA and iDEN wireless networks to redeploy spectrum and reduce operating costs, and the associated subscriber migration costs and customer retention risks; and success of upgrades and evolution of TELUS TV technology, which depend on third-party suppliers.

Ability to successfully implement cost reduction initiatives and realize planned savings, net of restructuring and other costs, without losing customer service focus or negatively affecting business operations. Initiatives include: the Company's operating efficiency and effectiveness program to drive improvements in earnings before interest, income taxes, depreciation and amortization ("EBITDA"), including the reduction of approximately 1,500 full-time equivalent ("FTE") positions announced in November 2015; business integrations; business process outsourcing; offshoring and reorganizations, including any FTE employee reduction programs; procurement initiatives; and real estate rationalization. Additional revenue and cost efficiency and effectiveness initiatives will continue to be assessed and implemented, as required.

Economic growth and fluctuations including: the state of the economy in Canada, which may be influenced by economic and other developments outside of Canada, including the United Kingdom's withdrawal from the European Union; future interest rates; inflation; unemployment levels; effects of low oil prices; effects of low business spend (reducing investments and cost structure); pension investment returns, funding and discount rates; and Canadian: U.S. dollar exchange rates.

Capital expenditure levels and potential outlays for spectrum licences in spectrum auctions or from third parties, due to: the Company's wireline broadband initiatives, including connecting more homes and businesses directly to fibre; the Company's ongoing deployment of wireless LTE and future technologies such as 5G; utilizing newly acquired spectrum; investments in network resiliency and reliability; subscriber demand for data; evolving systems and business processes; implementing efficiency initiatives; supporting large complex deals; and future wireless spectrum auctions held by Innovation, Science and Economic Development Canada ("ISED"). The Company's capital expenditure levels could be impacted if the Company does not achieve its targeted operational and financial results.

Regulatory decisions and developments including: potential of government intervention to further increase wireless competition; the Canadian Radio-television and Telecommunications Commission ("CRTC") wireless wholesale services review, in which it was determined that the CRTC will regulate wholesale GSM-based domestic roaming rates and the setting of such rates; future spectrum auctions (including limitations on established wireless providers, spectrum set-aside that favours certain carriers and other advantages provided to new and foreign participants, and the amount and cost of spectrum acquired); restrictions on the purchase, sale and transfer of spectrum licences; the undetermined long-term impact of the CRTC's wireline wholesale services review, which concluded that wholesale competitors shall receive regulated access to FTTP facilities owned by incumbent Internet service providers; the potential impacts from the CRTC's decision to require pro-rated refunds when customers terminate their services and the CRTC's examination of differential pricing practices related to Internet data plans; increased subsidy requirements for telecommunications facilities in Yukon, Nunavut and the Northwest Territories, and possible changes to the scope and nature of basic service obligations, including possible regulation on the quality, availability and affordability of residential Internet service; the CRTC's new code of conduct for TV services; vertical integration by competitors moving into broadcast content ownership and timely and effective enforcement of related regulatory safeguards; ongoing monitoring and compliance with restrictions on non-Canadian ownership of the Common Shares; and modification, interpretation and application of tower sharing and roaming rules.

Ability to sustain the Company's dividend growth program through 2019 and the Company's ability to sustain and complete its multi-year share purchase program through 2019. These programs may be affected by factors such as the competitive environment, economic performance in Canada, the Company's earnings and free cash flow, the Company's levels of capital expenditures and spectrum licence purchases, and regulatory decisions and developments. Quarterly dividend decisions are subject to assessment and determination by the Company's Board of Directors (the "Board"), based on the Company's financial position and outlook, and the market price of TELUS shares. The share purchase program may be affected by a change in the Company's intention to purchase shares, and the assessment and determination of the Board from time to time. Consequently, there can be no assurance that these programs will be maintained through 2019.

Financing and debt requirements including the Company's ability to carry out financing activities and the Company's ability to maintain investment grade credit ratings in the range of BBB+ or the equivalent.

Process risks including: the Company's reliance on legacy systems and ability to implement and support new products and services and business operations; the Company's ability to implement effective change management for system replacements and upgrades, process redesigns and business integrations; implementation of complex large enterprise deals that may be adversely impacted by available resources, system limitations and degree of co-operation from other service providers; the Company's ability to successfully manage operations in foreign jurisdictions; information security and privacy breaches, including data loss or theft of data; intentional threats to the Company's infrastructure and business operations; and real estate joint venture re-development risks.

Litigation and legal matters including: the Company's ability to defend successfully against investigations, regulatory proceedings, claims and lawsuits, including intellectual property infringement claims and class actions pending against TELUS, as well as possible proceedings, intellectual property infringement claims and class actions based on consumer claims, data, privacy or security breaches and secondary market liability; and the complexity of legal compliance in domestic and foreign jurisdictions.

Human resource matters including: recruitment, retention and appropriate training in a highly competitive industry; the future outcome of collective bargaining for an agreement with the Telecommunications Workers Union ("TWU"), United Steel Workers Local Union 1944, which expired at the end of 2015; and the level of employee engagement.

Tax matters including: complex tax laws that may be subject to interpretation by the tax authorities that may differ from the Company's interpretations; changes in tax laws, including tax rates; elimination of income tax deferrals through the use of different tax year-ends for operating partnerships and corporate partners; and international tax complexity and compliance.

Business continuity events including: the Company's ability to maintain customer service and operate the Company's networks in the event of human error or human-caused threats, such as electronic attacks and equipment failures that could cause various degrees of network outages; supply chain disruptions; natural disaster threats; epidemics; pandemics; and the completeness and effectiveness of business continuity and disaster recovery plans and responses.

Partnerships, acquisitions or divestitures including: the Company's ability to successfully integrate acquisitions, complete divestitures or establish partnerships in a timely manner, and realize expected strategic benefits.

Health, safety and environmental developments and other risk factors discussed herein and listed from time to time in the Company's reports and public disclosure documents, including the Company's annual report, annual information form, and other filings with securities commissions or similar regulatory authorities in Canada (on SEDAR at www.sedar.com) and in the Company's filings with the SEC in the United States, including Form 40-F (on EDGAR at www.sec.gov).

For further information, see the section entitled "Risks and risk management" in each of the Company's Management's Discussion and Analysis of financial results for the year ended December 31, 2015, Management's Discussion and Analysis of financial results for the three-month period ended March 31, 2016 and Management's Discussion and Analysis of financial results for the three-month and six-month periods ended June 30, 2016.

TELUS CORPORATION

TELUS was incorporated under the *Company Act* (British Columbia) (the "BC Company Act") on October 26, 1998 under the name BCT.TELUS Communications Inc. ("BCT"). On January 31, 1999, pursuant to a court-approved plan of arrangement under the *Canada Business Corporations Act* among BCT, BC TELECOM Inc. ("BC TELECOM") and the former Alberta based TELUS Corporation ("TC"), BCT acquired all of the shares of BC TELECOM and TC in exchange for common shares and non-voting shares of BCT, and BC TELECOM was dissolved. On May 3, 2000, BCT changed its name to TELUS Corporation and in February 2005, the Company transitioned under the *Business Corporations Act* (British Columbia), successor to the BC Company Act. On February 4, 2013, in accordance with the terms of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia), TELUS exchanged all of its issued and outstanding non-voting shares (the "Non-Voting Shares") into Common Shares on a one-for-one basis. On May 9, 2013, TELUS amended its Articles and Notice of Articles to eliminate the Non-Voting Shares from the authorized share structure of the Company, increase the maximum number of authorized Common Shares from 1,000,000,000 to 2,000,000,000, and incorporate certain "housekeeping" or administrative amendments. TELUS maintains its registered office at 510 W. Georgia St., 7th Floor, Vancouver, British Columbia V6B 0M3 and its executive office at 510 W. Georgia St., 23rd Floor, Vancouver, British Columbia V6B 0M3.

TELUS is one of Canada's largest telecommunications companies, providing a wide range of telecommunications services and products including wireless and wireline voice and data. Data services include: Internet protocol, television, hosting, managed information technology and cloud-based services, and certain healthcare solutions.

USE OF PROCEEDS

Except as may otherwise be set forth in a Prospectus Supplement, the net proceeds to be received by the Company from the issue and sale from time to time of Securities will be added to the general funds of the Company to be used to repay existing indebtedness of TELUS, to fund capital expenditures and for other general corporate purposes. Each Prospectus Supplement will contain specific information concerning the use of proceeds from that sale of Securities.

EARNINGS COVERAGE RATIOS

The following consolidated earnings coverage ratios have been calculated for the 12-month periods ended December 31, 2015 and June 30, 2016. The earnings coverage ratio refers to the ratio of (i) consolidated net income attributable to equity before borrowing costs and income taxes, and (ii) borrowing costs.

For the 12-month periods ended December 31, 2015 and June 30, 2016, the Company's consolidated net income attributable to equity before borrowing costs and income taxes was $2,409 million and $2,437 million, respectively. Borrowing costs for these 12-month periods were $503 million and $527 million, respectively.

12-month period ended	**December 31, 2015**	**June 30, 2016**
Earnings coverage ratio	4.9	4.6

The earnings coverage ratio for the 12-month period ended December 31, 2015 gives pro forma effect to the issuance, repayment and redemption of all long-term debt of the Company since the date of the December 31, 2015 financial statements to June 30, 2016, as if each had occurred at the beginning of such 12-month period. The earnings coverage ratios set out above do not give effect to any offering of Securities pursuant to this Prospectus and do not purport to be indicative of earnings coverage ratios for any future periods. The information presented herein for the 12-month period ended June 30, 2016 is based on unaudited financial information.

PRIOR SALES

Pursuant to the Company's various employee share option plans, during the 12 month period before the date of this Prospectus, the Company issued 598,498 Common Shares on the exercise of 1,229,053 options at a weighted average price of $19.44 per share.

On December 8, 2015, the Company issued re-opened 4.85% Series CP notes due April 5, 2044 in an aggregate principal amount of $400 million, and 3.75% Series CV notes due March 10, 2026 in an aggregate principal amount of $600 million.

MARKET PRICE AND TRADING VOLUME

The Common Shares are listed for trading on the TSX under the symbol "T" and the NYSE under the symbol "TU". The following table sets forth the reported high and low closing sale prices and the aggregate volume of trading of the Common Shares on the TSX during the 12 months preceding the date of this Prospectus.

	Price Range		
	High ($)	**Low ($)**	**Volume**
2015			
August	44.81	41.90	21,688,175
September	43.16	41.43	24,602,786
October	44.26	41.57	25,592,783
November	43.71	40.15	25,072,839
December	42.46	37.92	40,130,989
2016			
January	38.97	36.35	31,478,342
February	40.45	38.44	33,611,572
March	42.49	39.13	28,157,603
April	42.13	39.25	27,860,171
May	41.63	39.39	23,030,678
June	41.89	40.12	23,038,888
July	44.01	42.14	16,228,603
August 1-29	43.96	42.60	13,522,212

DESCRIPTION OF DEBT SECURITIES

The following description of the terms of Debt Securities sets forth certain general terms and provisions of Debt Securities in respect of which a Prospectus Supplement will be filed. The particular terms and provisions of Debt Securities offered by any Prospectus Supplement will be described in the Prospectus Supplement filed in respect of such Debt Securities.

Debt Securities may be issued under an indenture dated May 22, 2001 (the "Canadian Trust Indenture") between the Company and Montreal Trust Company of Canada (now Computershare Trust Company of Canada), as trustee (the "Canadian Trustee"), as supplemented by supplemental indentures applicable to specific Debt Securities (together with the Canadian Trust Indenture, the "Canadian Indenture") or under an indenture (the "U.S. Trust Indenture", and together with the Canadian Trust Indenture, the "Trust Indentures") to be entered into among the Company, Computershare Trust Company, N.A., as U.S. trustee (the "U.S. Trustee" and together with the Canadian Trustee, the "Trustees") and the Canadian Trustee, as may be supplemented by supplemental indentures applicable to specific Debt Securities (together with the U.S. Trust Indenture, the "U.S. Indenture"). The following summary of certain provisions of the Trust Indentures does not purport to be complete and is qualified in its entirety by reference to the applicable Trust Indenture and any applicable supplemental indentures. All capitalized terms are as defined in the applicable Trust Indenture (unless otherwise defined herein).

General

The Trust Indentures provide that Debt Securities may be issued thereunder from time to time in one or more series. Specific terms and conditions which apply to such series will be set out in a supplement to the applicable Trust Indenture. The Debt Securities will be direct, unconditional and, unless otherwise indicated in the relevant Prospectus Supplement, unsecured obligations of the Company. As of June 30, 2016, $10,650 million principal amount of Debt Securities are outstanding under the Canadian Trust Indenture. No Debt Securities are outstanding under the U.S. Trust Indenture.

With respect to Debt Securities issued under the Canadian Trust Indenture, the Prospectus Supplement relating to the particular Debt Securities offered thereby will describe the terms of such Debt Securities, including, where applicable:

(i) the designation, aggregate principal amount and denominations of such Debt Securities;

(ii) the price at which such Debt Securities will be issued or whether such Debt Securities will be issued on a non-fixed price basis;

(iii) the date or dates on which such Debt Securities will mature and the portion (if less than all of the principal amount) of such Debt Securities to be payable upon declaration of an acceleration of maturity;

(iv) the currency or currencies in which such Debt Securities are being sold and in which the principal of (and premium, if any), and interest, if any, on, such Debt Securities will be payable, whether the holder of any such Debt Securities or the Company may elect the currency in which payments thereon are to be made and, if so, the manner of such election;

(v) whether the Debt Securities of such series are interest bearing and, in the case of interest bearing Debt Securities, the rate or rates (which may be fixed or variable) per annum at which such Debt Securities will bear interest, if any;

(vi) the date from which interest on such Debt Securities, whether payable in cash, in kind, or in shares, will accrue, the date or dates on which such interest will be payable and the date on which payment of such interest will commence;

(vii) the dates on which and the price or prices at which such Debt Securities will, pursuant to any required repayment provisions, or may, pursuant to any repurchase or redemption provisions, be repurchased, redeemed or repaid and the other terms and provisions of any such optional repurchase or redemption or required repayment;

(viii) any special provisions for the payment of additional interest with respect to such Debt Securities;

(ix) any additional covenants included for the benefit of holders of such Debt Securities;

(x) the general terms or provisions, if any, pursuant to which such Debt Securities are to be guaranteed or secured;

(xi) any additional events of default provided with respect to such Debt Securities;

(xii) any exchange on which Debt Securities of a series will be listed;

(xiii) terms for any conversion or exchange into other securities;

(xiv) subordination terms, if any, of the Debt Securities of such series;

(xv) any special tax implications of or any special tax provision, or indemnities relating to Debt Securities of such series; and

(xvi) any other terms of such Debt Securities.

With respect to Debt Securities issued under the U.S. Trust Indenture, the Prospectus Supplement relating to the particular Debt Securities offered thereby will describe the terms of such Debt Securities, including, where applicable:

(i) the specific designation and the aggregate principal amount of the Debt Securities of such series;

(ii) the extent and manner, if any, to which payment on or in respect of the Debt Securities of such series will be senior or will be subordinated to the prior payment of the Company's other liabilities and obligations;

(iii) the percentage or percentages of principal amount at which the Debt Securities of such series will be issued;

(iv) the date or dates on which the principal of (and premium, if any, on) the Debt Securities of such series will be payable and the portion (if less than the principal amount) of the Debt Securities of such series to be payable upon a declaration of acceleration of maturity and/or the method by which such date or dates shall be determined or extended;

(v) the rate or rates (whether fixed or variable) at which the Debt Securities of such series will bear interest, if any, and the date or dates from which such interest will accrue;

(vi) the dates on which any interest will be payable and the regular record dates for the payment of interest on the Debt Securities of such series in registered form;

(vii) the place or places where the principal of (and premium, if any, and interest, if any, on) the Debt Securities will be payable, and each office or agency where the Debt Securities of such series may be presented for registration of transfer or exchange;

(viii) if other than U.S. dollars, the currency in which the Debt Securities of such series are denominated or in which currency payment of the principal of (and premium, if any, and interest, if any, on) such Debt Securities of such series will be payable;

(ix) whether the Debt Securities of such series will be issuable in the form of one or more global securities and, if so, the identity of the depositary for the global securities;

(x) any mandatory or optional redemption or sinking fund provisions;

(xi) the period or periods, if any, within which, the price or prices at which, the currency in which and the terms and conditions upon which the Debt Securities of such series may be redeemed or purchased by the Company;

(xii) the terms and conditions, if any, upon which holders may redeem the Debt Securities of such series prior to maturity and the price or prices at which and the currency in which the Debt Securities of such series are payable;

(xiii) any index used to determine the amount of payments of principal of (and premium, if any, or interest, if any, on) the Debt Securities of such series;

(xiv) the terms, if any, on which the Debt Securities may be converted or exchanged for other of the Company's Debt Securities or Debt Securities of other entities;

(xv) any other terms of the Debt Securities of such series, including covenants and events of default which apply solely to a particular series of the Debt Securities being offered which do not apply generally to other Debt Securities, or any covenants or events of default generally applicable to the Debt Securities of such series which do not apply to a particular series of the

Debt Securities;

(xvi) if other than The Depository Trust Company, the person designated as the depositary for the Debt Securities of such series;

(xvii) any applicable material Canadian and U.S. federal income tax consequences;

(xviii) whether and under what circumstances the Company will pay Additional Amounts (defined below under "Payment of Additional Amounts") on the Debt Securities of such series in respect of certain taxes (and the terms of any such payment) and, if so, whether the Company will have the option to redeem the Debt Securities of such series rather than pay the Additional Amounts (and the terms of any such option);

(xix) whether the payment of the Debt Securities will be guaranteed by any other person; and

(xx) if other than denominations of US$2,000 and any integral multiple of US$1,000 in excess thereof, the denominations in which any securities of the series shall be issuable.

Unless otherwise indicated in the applicable Prospectus Supplement, the U.S. Trust Indenture does not afford holders of the Debt Securities the right to tender such Debt Securities to the Company in the event that the Company has a change in control.

Debt Securities issued under the U.S. Trust Indenture may be issued bearing no interest or at a discount below their stated principal amount. The Canadian and U.S. federal income tax consequences and other special considerations applicable to any such discounted Debt Securities or other Debt Securities offered and sold at par which are treated as having been issued at a discount for Canadian and/or U.S. federal income tax purposes will be described in the Prospectus Supplement relating to the Debt Securities.

Payment

Unless otherwise specified in the applicable Prospectus Supplement, payment of principal of (and premium, if any on) Debt Securities will be made in the designated currency against surrender of such Debt Securities at the place or places specified in the applicable Prospectus Supplement. Unless otherwise indicated in the Prospectus Supplement related thereto, payment of any instalment of interest on Debt Securities will be made to the Person (as defined under " Certain Definitions" below) in whose name such Debt Security is registered at the close of business on the record date for such interest and may be made by electronic funds transfer.

Additional Amounts

Unless otherwise specified in the applicable Prospectus Supplement, all payments made by the Company under or with respect to the Debt Securities of each series issued under the U.S. Trust Indenture will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge imposed or levied by or on behalf of the Government of Canada or of any province or territory thereof or therein or by any authority or agency thereof or therein having power to tax (collectively, "Taxes") unless the Company is required to withhold or deduct Taxes by law or by the interpretation or administration thereof by the relevant government authority or agency. For each series of Debt Securities, if the Company is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to such series of Debt Securities, the Company will pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by each applicable holder of Debt Securities or beneficial owner (including Additional Amounts) after such withholding or deduction will not be less than the amount the applicable holder or beneficial owner would have received if such Taxes had not been withheld or deducted; provided that no Additional Amounts will be payable with respect to:

any payment to a holder of Debt Securities or beneficial owner who is liable for such Taxes in respect of such Debt Security (1) by reason of such holder of Debt Securities or beneficial owner being a person with whom the Company is not dealing at arm's length for the purposes of the Income Tax Act (Canada) (the "Tax Act") or (2) by reason of the existence of any present or former connection between such holder of Debt Securities or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, such holder of Debt Securities or beneficial owner, if such holder of Debt Securities or beneficial owner is an estate, trust, partnership, limited liability company or corporation) and Canada or any province or territory thereof or therein or agency thereof or therein other than the mere acquisition, holding, use or ownership or deemed holding, use or ownership, or receiving payments or enforcing any rights in respect of such Debt Security as a non-resident or deemed non-resident of Canada or any province or territory thereof or therein or agency thereof or therein;

any payment to a holder of Debt Securities or beneficial owner who is a "specified shareholder" of the Company or who does not deal at arm's length with a "specified shareholder" of the Company as defined in subsection 18(5) of the Tax Act;

any Debt Security presented for payment more than 30 days after the later of (1) the date on which such payment first becomes due or (2) if the full amount of the monies payable has not been paid to the holders of Debt Securities on or prior to such date, the date on which the full amount of such monies has been paid to the holders of Debt Securities, except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days;

any estate, inheritance, gift, sales, transfer, excise or personal property tax or any similar tax;

any Taxes imposed as a result of the failure of a holder of Debt Securities or beneficial owner to comply with certification, identification, declaration or similar reporting requirements concerning the nationality, residence, identity or connection with Canada or any province or territory thereof or therein or agency thereof or therein of the holder of Debt Securities or beneficial owner of such Debt Security, if such compliance is required by statute or by regulation, as a precondition to the reduction of, or exemption from, such Taxes;

any Taxes which are payable otherwise than by withholding or deduction from any payment made under or with respect to the Debt Securities; or

any combination of the above items,

nor will such Additional Amounts be paid with respect to any payment on any Debt Security to a holder of Debt Securities or beneficial owner who is a fiduciary or partnership or other than the sole beneficial owner of such Debt Security to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof would not have been entitled to receive a payment of such Additional Amounts had such beneficiary, settlor, member or beneficial owner received directly its beneficial or distributive share of such payment.

Where Tax is payable pursuant to Section 803 of the Income Tax Regulations by a holder of Debt Securities or beneficial owner of the Debt Securities in respect of any amount payable under the Debt Securities to the holder of Debt Securities (other than by reason of a transfer of the Debt Securities to a person resident in Canada with whom the transferor does not deal at arm's length for the purposes of such Act), but no Additional Amount is paid in respect of such Tax, the Company will pay to the holder of Debt Securities an amount equal to such Tax within 45 days after receiving from the holder of Debt Securities a notice containing reasonable particulars of the Tax so payable, provided such holder of Debt Securities or beneficial owner would have been entitled to receive Additional Amounts on account of such Tax but for the fact that it is payable otherwise than by deduction or withholding from payments made under or with respect to the Debt Securities.

Whenever in the U.S. Trust Indenture or in any Debt Security there is mention, in any context, of the payment of principal of, or premium, interest or any other amount on any Debt Security, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The obligation to pay Additional Amounts will survive any termination or discharge of the U.S. Trust Indenture or the redemption, repayment or purchase of the Debt Securities.

Tax Redemption

Unless otherwise specified in the applicable Prospectus Supplement, the Debt Securities of each series issued under the U.S. Trust Indenture may be redeemed, in whole, but not in part, at the option of the Company at any time, on not fewer than 30 nor more than 60 days' prior written notice, at 100% of the outstanding principal amount, together with accrued and unpaid interest thereon to the redemption date, in the event the Company delivers to the Trustees an opinion of independent Canadian tax counsel experienced in such matters to the effect that the Company has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the applicable series of outstanding Debt Securities any Additional

Amounts (as defined herein) as a result of a change in the laws (including any regulations promulgated thereunder) of Canada, or any province or territory thereof or therein or any agency thereof or therein having the power to tax, or any change in any official position regarding the application or interpretation of such laws or regulations, which change is announced or becomes effective on or after the date of the original issuance of the applicable series of Debt Securities; provided that the Company determines, in its business judgment, that the obligation to pay such Additional Amounts cannot be avoided by the use of reasonable measures available to the Company (not including substitution of the obligor under the applicable series of Debt Securities).

Negative Pledge

The Trust Indentures contain provisions to the effect that the Company will not, nor will it permit any Restricted Subsidiary (as defined under " Certain Definitions" below) to, create or assume any Lien (as defined under " Certain Definitions" below) (other than Permitted Liens (as defined herein)) upon any present or future Principal Property (as defined under " Certain Definitions" below), or any Property (as defined under " Certain Definitions" below), which, together with any other Property subject to Liens in the same transaction or a series of related transactions, would in the aggregate constitute a Principal Property, of the Company or any Restricted Subsidiary, to secure Indebtedness (as defined under " Certain Definitions" below) of the Company or a Restricted Subsidiary (the "Negative Pledge") unless the Debt Securities, other than Debt Securities which by their terms do not have the benefit of the Negative Pledge (together with, if the Company shall so determine, any other Indebtedness of the Company or any Restricted Subsidiary ranking at least equally with the Debt Securities then existing or thereafter created), shall be concurrently secured equally and ratably with (or prior to) such other Indebtedness so long as such Lien is outstanding.

The restrictions set forth above shall not apply to "Permitted Liens", which are defined in the Trust Indentures to include:

(i) with respect to any series of Debt Securities, Liens existing on the Closing Date (as defined under " Certain Definitions" below) for such series;

(ii) Liens on any Property of any Person existing at the time such Person becomes a Restricted Subsidiary, or at the time such Person amalgamates or merges with the Company or a Restricted Subsidiary, which Liens are not created in contemplation of such Person becoming a Restricted Subsidiary or effecting such amalgamation or merger;

(iii) Liens on any Property, including any improvements from time to time on such property, existing at the time such Property is acquired by the Company or a Restricted Subsidiary, including any acquisition by means of amalgamation, consolidation or merger, or Liens to secure the payment of all or any part of the purchase price of such Property upon the acquisition of such Property by the Company or a Restricted Subsidiary or to secure any Indebtedness incurred prior to, at the time of, or within 270 days after, the later of the date of acquisition of such Property and the date such Property is placed in service, for the purpose of financing all or any part of the purchase price thereof, or Liens to secure any Indebtedness incurred for the purpose of financing the cost to the Company or a Restricted Subsidiary of improvements to such acquired Property or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of construction of the Property subject to such Liens;

(iv) Liens securing any Indebtedness of a Restricted Subsidiary owing to the Company or to another Restricted Subsidiary;

(v) Liens on Property of the Company or a Restricted Subsidiary securing indebtedness or other obligations issued by Canada or the United States of America or any province, state or any department, agency or instrumentality or political subdivision of Canada or the United States of America or any state, or by any other country or any political subdivision of any other country, for the purpose of financing all or any part of the purchase price of, or, in the case of real property, the cost of construction on or improvement of, any property or assets subject to the Liens, including Liens incurred in connection with pollution control, industrial revenue or similar financings;

(vi) Liens securing any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Permitted Lien pursuant to the Trust Indentures; provided, however, that such new Lien is limited to the Property which was subject to the prior Lien immediately before such extension, renewal or replacement, and provided, further, that the principal amount of Indebtedness secured by the prior Lien immediately prior to such extension, renewal or replacement is not increased;

(vii) any other Liens not otherwise qualifying as a Permitted Lien provided that, at the applicable time, the aggregate principal amount of the Indebtedness secured by all such other Liens, when added to the Attributable Debt (as defined under " Certain Definitions" below) determined at such time of the then outstanding Unrestricted Sale and Lease-Back Transactions (as defined under " Limitation on Sale and Lease-Back Transactions" below) to which the Company or a Restricted Subsidiary is a party, does not exceed 15% of the then applicable Consolidated Net Tangible Assets (as defined under " Certain Definitions" below);

(viii) any interest or title of a lessor in the property subject to any capitalized lease or operating lease; and

(ix) any other Liens identified in the Prospectus Supplement relating to the series of Debt Securities issued.

Limitation on Sale and Lease-Back Transactions

The Trust Indentures contain provisions to the effect that neither the Company nor any Restricted Subsidiary may enter into any Sale and Lease-Back Transaction (as defined under " Certain Definitions" below), except for:

(i) any Sale and Lease-Back Transaction constituting a Permitted Lien under the Trust Indentures (other than clause (vii) or (viii)) under "Negative Pledge" above;

(ii) any Sale and Lease-Back Transaction that is not otherwise permitted under clause (i) above or (iii) below, and in respect of which the Company or such Restricted Subsidiary would be entitled, in the manner described under "Negative Pledge" above, to incur Indebtedness secured by a Lien on the applicable Property at least equal in amount to the Attributable Debt in respect of such Sale and Lease-Back Transaction without equally and ratably securing the Debt Securities (any Sale and Lease-Back Transaction entered into in compliance with this clause (ii) being an "Unrestricted Sale and Lease-Back Transaction"); or

(iii) any Sale and Lease-Back Transaction if the Company or such Restricted Subsidiary shall apply or cause to be applied, in the case of such sale or transfer for cash, an amount equal to the greater of the fair market value of the Principal Property sold or transferred and leased back pursuant to such Sale and Lease-Back Transaction or the net proceeds of such Sale and Lease-Back Transaction and, in the case of such sale or transfer otherwise than for cash, an amount equal to the fair market value of the Principal Property sold or transferred and leased back pursuant to such Sale and Lease-Back Transaction, to (a) the retirement (other than any mandatory retirement), within 180 days after the effective date of such Sale and Lease-Back Transaction, of Indebtedness of the Company (which may but need not include any Debt Securities) ranking on a parity with, or prior to, such Debt Securities and owing to a Person other than the Company or any Affiliate (as defined under " Certain Definitions" below) of the Company, or (b) the purchase, construction or improvement of real property or personal property used by the Company or its Restricted Subsidiaries in the ordinary course of business.

Modification of the Trust Indentures

With certain exceptions, the Trust Indentures, the rights and obligations of the Company and the rights of the holders of a particular series of Debt Securities may be modified by the Company with the consent of the holders of not less than a majority in aggregate principal amount of such series of Debt Securities or a majority in principal amount of such series voted at a duly constituted meeting.

Under the Canadian Trust Indenture, no such modification may be made which would: (i) reduce in any manner the amount of, or change the currency of payment of, or delay the time of any payments (whether of principal, premium, interest or otherwise); (ii) change the definition of or the manner of calculating amounts (including any change in the applicable rate or rates of interest) to which any holder is entitled; or (iii) reduce the above-stated percentage of Debt Securities of such series, in each case without the consent of the holder of each Debt Security of such series so affected or the consent of 100% of the principal amount of such the Debt Securities of such series voted at a duly constituted meeting.

Under the U.S. Trust Indenture, no such modification may be made which would: (i) change the stated maturity of the principal of (or premium, if any), or any installment of interest, if any, on any Debt Security; (ii) reduce the principal amount of (or premium, if any, or interest, if any, on) any Debt Security; (iii) reduce the amount of principal of a Debt Security payable upon acceleration of the maturity thereof; (iv) change the place of payment; (v) change the currency of payment of principal of (or premium, if any, or interest, if any, on) any Debt Security; (vi) impair the right to institute suit for the enforcement of any payment on or with respect to any Debt Security; (vii) reduce the percentage of principal amount of outstanding Debt Securities of such series, the consent of the holders of which is required for modification or amendment of the U.S. Trust Indenture or for waiver of compliance with certain provisions of the U.S. Trust Indenture or for waiver of certain defaults; or modify any provisions of the U.S. Trust Indenture relating to the modification and amendment of the U.S. Trust Indenture or the waiver of past defaults or covenants except as otherwise specified in the U.S. Trust Indenture, in each case without the consent of the holder of each Debt Security of such series so affected or the consent of 100% of the principal amount of such the Debt Securities of such series voted at a duly constituted meeting.

Events of Default

The Trust Indentures provide that an event of default with respect to any series of Debt Securities means any one of the following events (whatever the reason for such event of default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any government authority):

(i) a default in the payment by the Company of the principal of (or premium, if any, on) any Debt Securities of such series when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, or in any obligation to repurchase Debt Securities of such series when required pursuant to the Indentures;

(ii) a default in the payment by the Company of interest on any Debt Securities of such series when the same becomes due and payable, and such default continues for a period of 30 days;

(iii) a default by the Company in the performance of or breach of any other covenant or agreement of the Company with respect to such series of Debt Securities and such default or breach continues for a period of 60 days after written notice to the Company by the applicable Trustee or the holders of at least 25% of the unpaid aggregate principal amount of the outstanding Debt Securities of such series;

(iv) if any representation or warranty made by the Company in relation to a series of Debt Securities was incorrect in any material respect when made and, if it is capable of being corrected with reference to the presently existing facts and circumstances, such representation or warranty is not corrected within 60 days after written notice to the Company by the applicable Trustee or the holders of at least 25% of the unpaid aggregate principal amount of the outstanding Debt Securities of such series;

(v) any failure by the Company or any Subsidiary to pay when due or within any applicable grace period, any payment of Indebtedness of the Company or any Subsidiary in an aggregate principal amount in excess of US$75 million (or its equivalent in any other currency or currencies), or any default occurs in respect of any Indebtedness of the Company or any Subsidiary in respect of any series of Debt Securities having an aggregate principal amount exceeding US$75 million (or its equivalent in any other currency or currencies) after the expiration of any applicable grace period, if such default has resulted in such Indebtedness in excess of such aggregate principal amount becoming due prior to its stated maturity;

(vi) a distress, attachment, execution or other similar legal process for any amount exceeding US$75 million (or its equivalent in any other currency or currencies) is levied or enforced against any part of the Property of the Company or any Subsidiary and such distress, attachment, execution or similar legal process has not been paid out, satisfied or withdrawn within 60 days of the date of such levy or enforcement; or

(vii) certain events of bankruptcy, insolvency or reorganization of the Company or any Subsidiary.

Under each of the Trust Indentures, the Company is required to file with the applicable Trustee an annual officers' certificate as to the absence of certain defaults under the applicable Trust Indenture.

The Canadian Trust Indenture provides that if an event of default (other than an event of default specified in clause (vii) above in relation to the Company) shall occur and be continuing with respect to a series of Debt Securities issued thereunder, the Canadian Trustee may in its discretion and shall upon request of the holders of not less than 25% in principal amount of the outstanding Debt Securities of such series declare the principal of, together with accrued interest on, all Debt Securities of such series to be due and payable. In certain cases, the holders of a majority in aggregate principal amount of such series of Debt Securities or a majority in principal amount of such series voted at a duly constituted meeting may on behalf of the holders of all such Debt Securities waive any past default or event of default and rescind and annul any such declaration and its consequences.

The Canadian Trust Indenture further provides that if an event of default specified in clause (vii) above in relation to the Company occurs, the principal of and any accrued interest on the Debt Securities then outstanding shall become immediately due and payable; provided however that at any time after an automatic acceleration with respect to the Debt Securities has been made, the holders of a majority in aggregate principal amount of such series of Debt Securities or a majority in principal amount of such series voted at a duly constituted meeting may, under certain circumstances, rescind and annul such acceleration and its consequences.

The Canadian Trust Indenture contains a provision entitling the Canadian Trustee, subject to its duty during a default to act with the required standard of care, to be indemnified by the holders of Debt Securities of such series before proceeding to exercise any right or power under the Canadian Trust Indenture at the request of such holders. The Canadian Trust Indenture provides that no holder of Debt Securities of any series may pursue a remedy with respect to the Canadian Trust Indenture except in the case of failure of the applicable Canadian Trustee to act.

The U.S. Trust Indenture provides that if an event of default under the U.S. Trust Indenture occurs and is continuing with respect to any series of the Debt Securities issued thereunder, then and in every such case the Trustees or the holders of not less than 25% in aggregate principal amount of the outstanding Debt Securities of such affected series may, subject to any subordination provisions thereof, declare the entire principal amount (or, if the Debt Securities of that series are original issue discount Debt Securities, such portion of the principal amount as may be specified in the terms of that series) of all Debt Securities of such series and all accrued and unpaid interest thereon to be immediately due and payable. However, at any time after a declaration of acceleration with respect to any series of the Debt Securities has been made, but before a judgment or decree for payment of the money due has been obtained, the holders of a majority in principal amount of the outstanding Debt Securities of that series, by written notice to the Company and the Trustees under certain circumstances, may rescind and annul such acceleration.

With respect to Debt Securities issued under the U.S. Trust Indenture, reference is made to the applicable Prospectus Supplement or supplements relating to each series of the Debt Securities which are original issue discount Debt Securities for the particular provisions relating to acceleration of the maturity of a portion of the principal amount of such original issue discount securities upon the occurrence of any event of default and the continuation thereof.

Defeasance

Defeasance of Certain Obligations under the Canadian Trust Indenture

If the supplement to the Canadian Trust Indenture so provides, the Company may elect, with respect to any series of Debt Securities, either to be (a) discharged from its obligations in respect of such Debt Securities, or (b) released from its obligations under positive and negative covenants (other than its covenant to maintain its existence and pay the principal, premium, interest and other amounts on such Debt Securities) and the occurrence of certain events will be deemed not to be or result in a default or event of default. Following such election, the Company will be so discharged or released, provided:

(i) the Company has, at least 91 days prior to such discharge becoming effective, irrevocably deposited with the Canadian Trustee, as specific security pledged for, and dedicated solely to, the due payment and ultimate satisfaction of all of its obligations under the Canadian Trust Indenture with respect to the Debt Securities of the series affected, and free and clear of any Lien, (a) funds in the currency or currencies in which such Debt Securities are payable, and/or (b) an amount of direct obligations of, or obligations the payment of principal of and interest, if any, on which are fully guaranteed by, the government that issued the currency or currencies in which Debt Securities of such series are payable, and that are not subject to prepayment, redemption or call, as will together with the predetermined and certain income to accrue thereon without consideration of any reinvestment thereof, be sufficient (in the case of such obligations, through the payment of interest and principal thereunder) to pay (x) the principal of (and premium, if any) and interest and other amounts on the outstanding Debt Securities of the particular series on their stated due dates or maturity, as the case may be, and (y) any mandatory prepayments on the day on which such prepayments are due and payable;

(ii) the Company shall have delivered to the Canadian Trustee an opinion of counsel to the effect that the holders of the Debt Securities affected will not recognize income, gain or loss for Canadian federal income tax purposes as a result of such defeasance in respect of the Company's obligations and will be subject to Canadian federal income tax on the same basis as if such defeasance had not occurred;

(iii) such defeasance will not result in a breach or violation of, or constitute a default under, the Canadian Trust Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound;

(iv) no event of default with respect to the Debt Securities of such series or event that, with notice or lapse of time, would become such an event of default shall have occurred and be continuing on the date of such deposit;

(v) if the Debt Securities affected are listed on any stock exchange or securities exchange, the Company shall have delivered to the Canadian Trustee an opinion of counsel to the effect that such deposit and defeasance will not cause such Debt Securities to be delisted; and

(vi) the Company shall have delivered to the Canadian Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent to the defeasance have been satisfied.

Defeasance of Certain Obligations under the U.S. Trust Indenture

Unless otherwise specified in the applicable Prospectus Supplement, the U.S. Trust Indenture provides that, at the Company's option, the Company will be discharged from any and all obligations in respect of the outstanding Debt Securities of any series upon irrevocable deposit with the Trustees, in trust, of money and/or Government Obligations (as defined under " Certain Definitions" below) which will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent chartered professional accountants (as evidenced by an officer's certificate delivered to the Trustees) to pay the principal of (and premium, if any, and each instalment of interest, if any, and, to the extent applicable, any Additional Amounts on) the outstanding Debt Securities of such series (hereinafter in this section referred to as a "defeasance") (except with respect to the authentication, transfer, exchange or replacement of the Debt

Securities or the maintenance of a place of payment and certain other obligations set forth in the U.S. Trust Indenture). Such trust may only be established if among other things:

- the Company has delivered to the Trustees an opinion of counsel in the United States stating that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of the U.S. Trust Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that the holders of the outstanding Debt Securities of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

- the Company has delivered to the Trustees an opinion of counsel in Canada or a ruling from the Canada Revenue Agency (or successor agency) to the effect that the holders of the outstanding Debt Securities of such series should not recognize income, gain or loss for Canadian federal or provincial income tax purposes as a result of such defeasance and should be subject to Canadian federal or provincial income tax on the same amounts, in the same manner and at the same times as would have been the case had such defeasance not occurred (and for the purposes of such opinion, such Canadian counsel shall assume that holders of the outstanding Debt Securities of such series include holders who are not resident in Canada);

- no event of default or event that, with the passing of time or the giving of notice, or both, shall constitute an event of default shall have occurred and be continuing on the date of such deposit;

- the Company is not an "insolvent person" within the meaning of the *Bankruptcy and Insolvency Act* (Canada) on the date of such deposit or at any time during the period ending on the 91st day following such deposit; and

- the Company shall have delivered to the Trustees an officers' certificate and an opinion of counsel, each stating that all conditions precedent to the defeasance have been satisfied.

The Company may exercise its defeasance option notwithstanding the Company's prior exercise of its covenant defeasance option described in the following paragraph if the Company meets the conditions described in the preceding sentence at the time it exercises the defeasance option.

The U.S. Trust Indenture provides that, at the Company's option, unless and until the Company has exercised its defeasance option described in the preceding paragraph, the Company may omit to comply with the "Negative Pledge" covenant, certain aspects of the "Amalgamation, Consolidation, Conveyance, Transfer or Lease" covenant and certain other covenants and such omission shall not be deemed to be an event of default under the U.S. Trust Indenture and the outstanding Debt Securities upon irrevocable deposit with the Trustees, in trust, of money and/or government securities which will provide money in an amount sufficient in the opinion of a nationally recognized firm of independent chartered professional accountants (as evidenced by an officer's certificate delivered to the Trustees) to pay the principal of (and premium, if any, and each installment of interest, if any, and, to the extent applicable, any Additional Amounts on) the outstanding Debt Securities (hereinafter in this section referred to as "covenant defeasance"). If the Company exercises its covenant defeasance option, the obligations under the U.S. Trust Indenture other than with respect to such covenants and the events of default other than with respect to such covenants shall remain in full force and effect. Such trust may only be established if, among other things:

- the Company has delivered to the Trustees an opinion of counsel in the United States to the effect that the holders of the outstanding Debt Securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

- the Company has delivered to the Trustees an opinion of counsel in Canada or a ruling from the Canada Revenue Agency to the effect that the holders of the outstanding Debt Securities should not recognize income, gain or loss for Canadian federal or provincial income or other tax purposes as a result of such covenant defeasance and should be subject to Canadian federal or provincial income and other tax on the

same amounts, in the same manner and at the same times as would have been the case had such covenant defeasance not occurred (and for the purposes of such opinion, such Canadian counsel shall assume that holders of the outstanding Debt Securities include holders who are not resident in Canada);

no event of default or event that, with the passing of time or the giving of notice, or both, shall constitute an event of default shall have occurred and be continuing on the date of such deposit; and

the Company is not an "insolvent person" within the meaning of the *Bankruptcy and Insolvency Act* (Canada) on the date of such deposit or at any time during the period ending on the 91st day following such deposit.

Other Defeasance Arrangements

If so described in the Prospectus Supplement related to Debt Securities of a specific series, the Company may enter into certain other arrangements providing for the due payment and ultimate satisfaction of its obligations with respect to such series of Debt Securities by the deposit with the applicable Trustee of funds or obligations of the type referred to under " Defeasance of Certain Obligations" under the Canadian Trust Indenture" and " Defeasance of Certain Obligations under the U.S. Trust Indenture" above, as applicable. The Prospectus Supplement will more fully describe the provisions, if any, relating thereto.

Amalgamation, Consolidation, Conveyance, Transfer or Lease

The Trust Indentures provide that the Company will not consolidate, merge or amalgamate with any other Person or effect any conveyance, sale, transfer or lease of its Property substantially as an entirety, unless, in such case:

(i) the Person formed by such consolidation or amalgamation or with which the Company is merged (or the Person that leases or that acquires by conveyance, sale or transfer the Property of the Company substantially as an entirety) (such Person being referred to as the "Successor Corporation") is a corporation organized and validly existing under the laws of Canada or any province thereof;

(ii) the Successor Corporation shall expressly, by supplemental indenture, assume and become bound by the obligations of the Company under the terms of the Canadian Indenture or U.S. Indenture, as applicable;

(iii) after giving effect to such transaction no default or event of default is or will be occurring under the applicable Trust Indenture or in respect of the Debt Securities of any series issued pursuant to the applicable Trust Indenture; and

(iv) the Company delivers to the Trustees an officer's certificate and opinion of counsel confirming that the foregoing conditions have been met.

Governing Law

The Canadian Trust Indenture is governed by, and construed in accordance with, the laws of the Province of Ontario and the U.S. Trust Indenture is governed by, and construed in accordance with, the laws of the State of New York.

Certain Definitions

(i) "**Affiliate**" means, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person.

(ii) "**Attributable Debt**" shall mean, in respect of a Sale and Lease-Back Transaction, at the time of determination, the Capital Lease Obligations under the Capital Lease resulting from such Sale and Lease-Back Transaction as reflected on the consolidated balance sheet of the Company. Attributable Debt may be reduced by the present value of the rental obligations, calculated on the same basis that any sublessee has for all or part of the same property.

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(iii) "**Capital Lease**" means a lease that is required to be capitalized for financial reporting purposes in accordance with Canadian generally accepted accounting principles consistently applied.

(iv) "**Capital Lease Obligations**" means indebtedness represented by obligations under a Capital Lease. The amount of indebtedness will be the capitalized amount of the obligations determined in accordance with Canadian generally accepted accounting principles consistently applied.

(v) "**Closing Date**" means the date on which the Debt Securities are issued.

(vi) "**Consolidated Net Tangible Assets**" means the consolidated total assets of TELUS and its Subsidiaries as reflected in TELUS' most recent consolidated balance sheet preceding the date of determination prepared in accordance with Canadian generally accepted accounting principles consistently applied, less (a) current liabilities, excluding the amount of those which are by their terms extendable or renewable at the option of the obligor to a date more than 12 months after the date as of which the amount is being determined and current maturities of long-term debt and Capital Lease Obligations, and (b) goodwill, tradenames, trademarks, patents, minority interests of others, unamortized debt discount and expense and other similar intangible assets, excluding any investments in permits, licenses and the subscriber base.

(vii) "**Currency**" means any currency or currencies or composite currency issued by the government of one or more countries or by any recognized confederation or association of such governments.

(viii) "**Government Obligations**" means, unless otherwise specified with respect to any series of Securities pursuant to the U.S. Trust Indenture, securities which are (i) direct obligations of the government which issued the Currency in which the Securities of a particular series are payable or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the government which issued the Currency in which the Securities of such series are payable, the payment of which is unconditionally guaranteed by such government, which, in either case, are full faith and credit obligations of such government payable in such Currency and are not callable or redeemable at the option of the issuer thereof and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest or principal of the Government Obligation evidenced by such depository receipt.

(ix) "**Indebtedness**" means, with respect to any Person, (without duplication) (a) any liability of such Person (1) for borrowed money, or under any reimbursement obligation relating to a letter of credit, or (2) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation arising in connection with the acquisition of any businesses, properties or assets of any kind, other than a trade payable or a current liability arising in the ordinary course of business), or (3) for the payment of Capital Lease Obligations; (b) any liability of others described in the preceding clause (a) that the Person has guaranteed or that is otherwise its legal liability; (c) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) and (b) above; and (d) in the case of any Restricted Subsidiary, the aggregate amount at which any preference shares of such Restricted Subsidiary are redeemable or retractable at the option of the holder (excluding any such preference shares that are owned by the Company or any Restricted Subsidiary).

(x) "**Lien**" means any mortgage, pledge, lien, security interest, charge or other encumbrance or preferential arrangement (including any conditional sale or other title retention agreement or lease in the nature thereof other than a title retention agreement in connection with the purchase of goods in the ordinary course of business which is outstanding for not more than 90 days).

(xi) "**Person**" means any natural person, corporation, firm, partnership, joint venture or other unincorporated association, trust, government or governmental authority and pronouns have a similar extended meaning.

(xii) "**Principal Property**" means at any time any Property which has a fair market value or a book value in excess of US$5 million (or its equivalent in any other currency or currencies).

(xiii) "**Property**" means any asset, revenue or any other property or property right or interest, whether tangible or intangible, real or personal, including, without limitation, any right to receive income.

(xiv) "**Restricted Subsidiary**" means (a) TELUS Communications Inc. and (b) at any time any other Subsidiary of TELUS, if at the end of the most recent fiscal quarter for which the Company has issued its financial statements, the total assets of such Subsidiary exceeds 10% of the consolidated assets of TELUS and its Subsidiaries, determined in accordance with Canadian generally accepted accounting principles consistently applied, provided that Restricted Subsidiary shall not include any Subsidiary that is principally engaged in the wireless business or TELUS Quebec Inc.

(xv) "**Sale and Lease-Back Transaction**" means any transaction or series of related transactions pursuant to which the Company or any Restricted Subsidiary sells or transfers any Principal Property, or any Property which together with any other Property subject to the same transaction or series of related transactions would in the aggregate constitute a Principal Property, of the Company or such Restricted Subsidiary to any Person and leases back such Principal Property (or other Properties) by way of a Capital Lease Obligation but does not include (a) any Sale and Lease-Back Transaction between the Company and its Restricted Subsidiaries or between Restricted Subsidiaries, or (b) any Sale and Lease-Back Transaction where the term of the lease back is less than three years.

(xvi) "**Securities**" means unsecured debentures, notes or other evidences of indebtedness issued under the U.S. Trust Indenture.

(xvii) "**Subsidiary**" means any company or other business entity which the Company owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest, in each case having ordinary voting power to elect directors, managers or trustees of such company or other business entity (whether or not capital stock or other ownership interest or any other class or classes shall or might have voting power upon the occurrence of any contingency).

DESCRIPTION OF SHARE CAPITAL

General

The following sets forth the terms and provisions of the existing capital of the Company. The particular terms and provisions of the Equity Securities offered by a Prospectus Supplement and the extent to which these general terms and provisions apply will be described in such Prospectus Supplement. The Company is authorized under its Notice of Articles to issue up to 1,000,000,000 shares of each class of first preferred shares (the "First Preferred Shares"), second preferred shares (the "Second Preferred Shares") and up to 2,000,000,000 Common Shares. Certain of the rights and attributes of each class are described below.

First Preferred Shares

Shares Issuable in Series

The First Preferred Shares may be issued at any time or from time to time in one or more series. Before any shares of a series are issued, the Board of Directors of the Company shall fix the number of shares that will form such series and shall, subject to the limitations set out in the articles of the Company, determine the designation, rights, privileges, restrictions and conditions to be attached to the First Preferred Shares of such series, except that no series shall be granted the right to vote at a general meeting of the shareholders of the Company or the right to be convertible or exchangeable for Common Shares, directly or indirectly.

Priority

The First Preferred Shares of each series shall rank on a parity with the First Preferred Shares of every other series with respect to dividends and return of capital and shall be entitled to a preference over the Second Preferred Shares and the Common Shares and over any other shares ranking junior to the First Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs.

Voting Rights

Except as required by law, holders of the First Preferred Shares as a class shall not be entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Company, provided that the rights, privileges, restrictions and conditions attached to the First Preferred Shares as a class may be added to, changed or removed only with the approval of the holders of the First Preferred Shares given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution signed by the holders of not less than two-thirds of the First Preferred Shares then outstanding, or passed by an affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the First Preferred Shares duly called for that purpose.

Second Preferred Shares

Shares Issuable in Series

The Second Preferred Shares may be issued at any time or from time to time in one or more series. Before any shares of a series are issued, the Board of Directors of the Company shall fix the number of shares that will form such series and shall, subject to the limitations set out in the articles of the Company, determine the designation, rights, privileges, restrictions and conditions to be attached to the Second Preferred Shares of such series, except that no series shall be granted the right to vote at a general meeting of the shareholders of the Company or the right to be convertible or exchangeable for Common Shares, directly or indirectly.

Priority

The Second Preferred Shares of each series shall rank on a parity with the Second Preferred Shares of every other series with respect to dividends and return of capital and shall, subject to the prior rights of the holders of the First Preferred Shares, be entitled to a preference over the Common Shares and over any other shares ranking junior to the Second Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs.

Voting Rights

Except as required by law, holders of the Second Preferred Shares as a class shall not be entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Company, provided that the rights, privileges, restrictions and conditions attached to the Second Preferred Shares as a class may be added to, changed or removed only with the approval of the holders of the Second Preferred Shares given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution signed by the holders of not less than two-thirds of the Second Preferred Shares then outstanding, or passed by an affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the Second Preferred Shares duly called for that purpose.

Common Shares

Priority

The holders of Common Shares shall be entitled to participate equally with each other as to dividends and the Company shall pay dividends thereon, as and when declared by the Board of Directors of the Company out of monies properly applicable to the payment of dividends, in amounts per share and at the same time on all such Common Shares at the time outstanding as the Board of Directors of the Company may from time to time determine. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, all the property and assets of the Company which remain after payment to the holders of any shares ranking in priority to the Common Shares in respect of payment upon liquidation, dissolution or winding-up of all amounts attributed and properly payable to such holders of such other shares in the event of such liquidation, dissolution or winding-up or distribution, shall be paid and distributed equally, share for share, to the holders of the Common Shares, without preference or distinction.

Voting Rights

The holders of the Common Shares shall be entitled to receive notice of and to attend (in person or by proxy) and be heard at all general meetings of the shareholders of the Company (other than separate meetings of the holders of shares of any other class of shares of the Company or any other series of shares of such other class of shares) and to vote at all such general meetings with each holder of Common Shares being entitled to one vote per Common Share held at all such meetings.

Ownership and Voting Restrictions

Non-Canadian persons shall not beneficially own or control, otherwise than by way of security only, in the aggregate more than the Restricted Percentage (as defined below) of the issued and outstanding voting shares of the Company (the "non-Canadian share constraint"). The Restricted Percentage is the maximum percentage of the issued and outstanding voting shares of the Company that may be beneficially owned or controlled, otherwise than by way of security only, by non-Canadian persons without rendering any subsidiary of the Company ineligible to operate as a telecommunications common carrier pursuant to the *Telecommunications Act*, or to be granted a licence under the *Broadcasting Act* or the *Radiocommunication Act*.

The power of the Company to issue any voting shares and to restrict the right of any holder of voting shares of the Company to transfer or vote such voting shares is as provided in the Telecommunications Regulations, the Broadcasting Direction and the Radiocommunication Regulations, as amended from time to time (collectively, the "Applicable Regulations") or in the articles of the Company. The Company has the power to suspend voting rights, to refuse the transfer of shares, to redeem or purchase, or to sell or to require the sale of voting shares of the Company as provided in the Applicable Regulations or the articles of the Company, for the purpose of ensuring that any subsidiary of the Company is not ineligible to operate as a telecommunications common carrier pursuant to the *Telecommunications Ac*t, or to be granted a licence under the *Broadcasting Act* or the *Radiocommunication Act*.

In addition to declarations which may be requested by the Company pursuant to the Applicable Regulations, the Company may request that a person who: (1) is or proposes to be a registered holder of voting shares of the Company; (2) holds or proposes to hold or is believed by the Company to hold voting shares of the Company on behalf of another person, other than as a registered holder; (3) subscribes for voting shares of the Company; (4) requests registration of a transfer of voting shares of the Company; (5) requests a change in registration of voting shares of the Company; or (6) elects to convert or exchange any securities into or for voting shares of the Company, file a declaration with the Company or its transfer agent within the time limit prescribed in the request. The person to whom a request is made pursuant to the articles of the Company shall submit the declaration in a form authorized by the Company, and shall contain the information requested by the Company to enable the Company to determine whether the non-Canadian share constraint is being or may be contravened.

Notwithstanding any other provision of the articles of the Company or the rules or operating procedures established pursuant to the articles of the Company, a contravention of the non-Canadian share constraint shall have no consequences except those that are expressly provided for in the articles of the Company or the Applicable Regulations. For greater certainty but without limiting the generality of the foregoing: (1) no transfer, issue or ownership of, and no title to, voting shares of the Company; (2) no resolution of shareholders (except to the extent that the result thereof is affected as a result of a determination pursuant to the Applicable Regulations to suspend the voting rights of any voting shareholders); and (3) no act of the Company, including any transfer of property to or by the Company, shall be invalid or otherwise affected by any contravention of the non-Canadian share constraint or the failure to make the adjustment in voting as may be required or permitted pursuant to the Applicable Regulations.

In administering the ownership restriction provisions of the articles of the Company and the Applicable Regulations, including, without limitation, in making any directors' determination, the Company and any of its directors, officers, employees and agents may rely on, among other things, the Company's central securities register.

The ownership restriction provisions of the articles of the Company shall cease to be binding on the Company and its shareholders upon the repeal of the Applicable Regulations, and shall cease to be applicable and binding to the extent permitted by all of the *Telecommunications Act*, the *Radiocommunication Act* and the *Broadcasting Act*, from time to time.

TELUS Shareholder Rights Plan

TELUS first adopted a shareholder rights plan in March 2000. In May 2010, the holders of the Common Shares and Non-Voting Shares ratified a substantially similar shareholder rights plan. On May 9, 2013, the holders of the Common Shares approved the amendment of, and reconfirmation of, the shareholder rights plan (the "Rights Plan"), which among other things, reflects the elimination of the Non-Voting Share class from TELUS' authorized share structure, and at the annual general meeting held on May 5, 2016, the holders of the Common Shares approved the reconfirmation of the Rights Plan. Under the Rights Plan, TELUS issued one right (a "Right") in respect of each Common Share outstanding as at such date. The Rights Plan expires upon the conclusion of TELUS' annual meeting in 2019. The Rights will separate from the Common Shares and will be exercisable eight trading days after a person has acquired, or commences to acquire, 20% or more of the Common Shares, other than by acquisition pursuant to a takeover bid permitted by the Rights Plan (a "Permitted Bid"). The acquisition by any person (an "Acquiring Person") of more than 20% of the Voting Shares (as defined in the Rights Plan), other than by way of a Permitted Bid, is referred to as a "Flip-in Event". Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. Eight trading days after the occurrence of the Flip-in Event, each Right (other than those held by the Acquiring Person), will permit the purchase of $320 worth of Common Shares for $160 (i.e. at a 50% discount).

DESCRIPTION OF WARRANTS

This section describes the general terms that will apply to any Warrants for the purchase of Equity Securities (the "Equity Warrants") or for the purchase of Debt Securities (the "Debt Warrants").

Warrants may be offered separately or together with Equity Securities or Debt Securities, as the case may be. Each series of Warrants will be issued under a separate Warrant agreement to be entered into between the Company and one or more banks or trust companies acting as Warrant agent. The applicable Prospectus Supplement will include details of the Warrant agreements covering the Warrants being offered. The Warrant agent will act solely as the agent of the Company and will not assume a relationship of agency with any holders of Warrant certificates or beneficial owners of Warrants. The specific terms of the Warrants, and the extent to which the general terms described in this section apply to those Warrants, will be set forth in the applicable Prospectus Supplement.

Original purchasers of Equity Warrants or Debt Warrants (if offered separately) will be granted a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of such Equity Warrant or Debt Warrant. The contractual right of rescission will entitle such original purchasers to receive the amount paid upon conversion, exchange or exercise, upon surrender of the underlying securities gained thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this Prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this Prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 131 of the *Securities Act* (British Columbia), and is in addition to any other right or remedy available to original purchasers under section 131 of the *Securities Act* (British Columbia) or otherwise at law.

In an offering of Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the Warrant is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion, exchange or exercise of the security, those amounts many not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages and consult with a legal adviser.

Equity Warrants

The particular terms of each issue of Equity Warrants will be described in the related Prospectus Supplement. This description will include, where applicable:

(i) the designation and aggregate number of Equity Warrants;

(ii) the price at which the Equity Warrants will be offered;

(iii) the currency or currencies in which the Equity Warrants will be offered;

(iv) the designation and terms of the Equity Securities purchasable upon exercise of the Equity Warrants;

(v) the date on which the right to exercise the Equity Warrants will commence and the date on which the right will expire;

(vi) the number of Equity Securities that may be purchased upon exercise of each Equity Warrant and the price at which and currency or currencies in which that amount of securities may be purchased upon exercise of each Equity Warrant;

(vii) the designation and terms of any securities with which the Equity Warrants will be offered, if any, and the number of the Equity Warrants that will be offered with each security;

(viii) the date or dates, if any, on or after which the Equity Warrants and the related securities will be transferable separately;

(ix) whether the Equity Warrants are subject to redemption or call and, if so, the terms of such redemption or call provisions;

(x) material United States and Canadian tax consequences of owning the Equity Warrants; and

(xi) any other material terms or conditions of the Equity Warrants.

Debt Warrants

The particular terms of each issue of Debt Warrants will be described in the related Prospectus Supplement. This description will include, where applicable:

(i) the designation and aggregate number of Debt Warrants;

(ii) the price at which the Debt Warrants will be offered;

(iii) the currency or currencies in which the Debt Warrants will be offered;

(iv) the aggregate principal amount, currency or currencies, denominations and terms of the series of Debt Securities that may be purchased upon exercise of the Debt Warrants;

(v) the designation and terms of any securities with which the Debt Warrants will be offered, if any, and the number of the Debt Warrants that will be offered with each security;

(vi) the date or dates, if any, on or after which the Debt Warrants and the related securities will be transferable separately;

(vii) the principal amount of Debt Securities that may be purchased upon exercise of each Debt Warrant and the price at which and currency or currencies in which that principal amount of securities may be purchased upon exercise of each Debt Warrant;

(viii) the date on which the right to exercise the Debt Warrants will commence and the date on which the right will expire;

(ix) the minimum or maximum amount of Debt Warrants that may be exercised at any one time;

(x) whether the Debt Warrants will be subject to redemption or call, and, if so, the terms of such redemption or call provisions;

(xi) material United States and Canadian tax consequences of owning the Debt Warrants; and

(xii) any other material terms or conditions of the Debt Warrants.

DESCRIPTION OF SHARE PURCHASE CONTRACTS AND SHARE PURCHASE OR EQUITY UNITS

The Company may issue share purchase contracts, including contracts obligating holders to purchase from the Company, and the Company to sell to the holders, a specified number of Equity Securities, at a future date or dates, or similar contracts issued on a "prepaid" basis (in each case, "Share Purchase Contracts"). The price per Equity Security and the number of Equity Securities may be fixed at the time the Share Purchase Contracts are issued or may be determined by reference to a specific formula set forth in the Share Purchase Contracts. The Share Purchase Contracts will require either the share purchase price be paid at the time the Share Purchase Contracts are issued or that payment be made at a specified future date. The Share Purchase Contracts may be issued separately or as part of units consisting of a Share Purchase Contract and Debt Securities or obligations of third parties (including U.S. treasury securities) (the "Share Purchase or Equity Units"), and may or may not serve as collateral for a holder's obligations. The Share Purchase Contracts may require holders to secure their obligations thereunder in a specified manner. The Share Purchase Contracts also may require the Company to make periodic payments to the holders of the Share Purchase Contracts or vice versa, and such payments may be unsecured or refunded on some basis.

The applicable Prospectus Supplement will describe the terms of the Share Purchase Contracts or Share Purchase or Equity Units. The description in the Prospectus Supplement will not necessarily be complete, and reference will be made to the Share Purchase Contracts, and, if applicable, collateral, depositary or custodial arrangements, relating to the Share Purchase Contracts or Share Purchase or Equity Units. Material United States and Canadian federal income tax considerations applicable to the holders of the Share Purchase or Equity Units and the Share Purchase Contracts will also be discussed in the applicable Prospectus Supplement.

Original purchasers of Share Purchase Contracts or Share Purchase or Equity Units will be granted a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of such Share Purchase Contract or Share Purchase or Equity Unit. The contractual right of rescission will entitle such original purchasers to receive the amount paid upon conversion, exchange or exercise, upon surrender of the underlying securities gained thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this Prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this Prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 131 of the *Securities Act* (British Columbia), and is in addition to any other right or remedy available to original purchasers under section 131 of the *Securities Act* (British Columbia) or otherwise at law.

In an offering of Share Purchase Contracts or Share Purchase or Equity Units, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the Share Purchase Contracts or Share Purchase or Equity Units are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion, exchange or exercise of the security, those amounts many not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages and consult with a legal adviser.

DESCRIPTION OF SUBSCRIPTION RECEIPTS

TELUS may issue Subscription Receipts that entitle the holder to receive upon satisfaction of certain release conditions, and for no additional consideration, Debt Securities, Equity Securities, Warrants, Share Purchase Contracts or Share Purchase or Equity Units or any combination thereof. The Subscription Receipts may be offered separately or together with other Securities, and Subscription Receipts sold with other Securities may be attached to or separate from the other Securities.

The Subscription Receipts will be issued under one or more subscription receipt agreements that TELUS will enter into with one or more escrow agents. If underwriters or agents are involved in the sale of Subscription Receipts, one or more of such underwriters or agents may also be parties to the subscription receipt agreement governing those Subscription Receipts. The relevant subscription receipt agreement will establish the terms of the Subscription Receipts. Under the subscription receipt agreement, original purchasers of Subscription Receipts will be granted a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of such Subscription Receipts. The contractual right of rescission will entitle such original purchasers to receive the amount paid for the Subscription Receipts, upon surrender of the underlying securities gained thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this Prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this Prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 131 of the *Securities Act* (British Columbia), and is in addition to any other right or remedy available to original purchasers under section 131 of the *Securities Act* (British Columbia) or otherwise at law.

The particular terms and provisions of any Subscription Receipts offered by TELUS, and the extent to which the general terms and provisions described in this section apply to those Subscription Receipts, will be set out in the applicable Prospectus Supplement. All such terms will comply with any applicable requirements of the TSX relating to Subscription Receipts. The Prospectus Supplement will include some or all of the following:

(i) the number of Subscription Receipts offered;

(ii) the price at which the Subscription Receipts will be offered;

(iii) the designation, number and terms, as applicable, of the Debt Securities, Equity Securities, Warrants, Share Purchase Contracts or Share Purchase or Equity Units to be received by holders of Subscription Receipts upon satisfaction of the release conditions, and the anti-dilution provisions that will result in the adjustment of those numbers;

(iv) the release conditions that must be met in order for holders of Subscription Receipts to receive for no additional consideration, Debt Securities, Equity Securities, Warrants, Share Purchase Contracts or Share Purchase or Equity Units, as applicable;

(v) the procedure for the issuance and delivery of Debt Securities, Equity Securities, Warrants, Share Purchase Contracts or Share Purchase or Equity Units, as applicable, to holders of Subscription Receipts upon satisfaction of the release conditions;

(vi) whether any payments will be made to holders of Subscription Receipts upon delivery of the Debt Securities, Equity Securities, Warrants, Share Purchase Contracts or Share Purchase or Equity Units, as applicable, upon satisfaction of the release conditions;

(vii) the terms and conditions under which the escrow agent will hold in escrow all or a portion of the proceeds from the sale of the Subscription Receipts together with any interest income earned thereon (collectively, the "Escrowed Funds"), pending satisfaction of the release conditions;

(viii) the terms and conditions under which the escrow agent will hold the Debt Securities, Equity Securities, Warrants, Share Purchase Contracts or Share Purchase or Equity Units, as applicable, pending the satisfaction of the release conditions;

(ix) the terms and conditions under which the escrow agent will release all or a portion of the Escrowed Funds to TELUS upon satisfaction of the release conditions;

(x) if the Subscription Receipts are sold to or through underwriters or agents, the terms and conditions under which the escrow agent will release a portion of the Escrowed Funds to such underwriters or agents in payment of all or a portion of their fees or commission in connection with the sale of the Subscription Receipts;

(xi) procedures for the refund by the escrow agent to holders of Subscription Receipts of all or a portion of the subscription price for their Subscription Receipts, plus any pro rata entitlement to interest earned or income generated on such amount, if the release conditions are not satisfied;

(xii) any entitlement of TELUS to purchase the Subscription Receipts in the open market by private agreement or otherwise;

(xiii) whether TELUS will issue the Subscription Receipts as global securities and, if so, who the depository will be;

(xiv) provisions as to modification, amendment or variation of the subscription receipt agreement or any rights or terms attaching to the Subscription Receipts;

(xv) material Canadian tax consequences of owning Subscription Receipts; and

(xvi) any other material terms, preferences, rights or limitations of, or restrictions on, the Subscription Receipts.

DENOMINATIONS, REGISTRATION AND TRANSFER

The Securities will be issued in fully registered form without coupons attached in either global or definitive form and in denominations and integral multiples as set out in the applicable Prospectus Supplement (unless otherwise provided with respect to a particular series of Debt Securities pursuant to the provisions of the applicable Trust Indenture, as supplemented by a supplemental indenture). Other than in the case of book-entry only securities, Securities may be presented for registration of transfer (with the form of transfer endorsed thereon duly executed) in the city specified for such purpose at the office of the registrar or transfer agent designated by the Company for such purpose with respect to any issue of Securities referred to in the Prospectus Supplement. No service charge will be made for any transfer, conversion or exchange of the Securities but the Company may require payment of a sum to cover any transfer tax or other governmental charge payable in connection therewith. Such transfer, conversion or exchange will be effected upon such registrar or transfer agent being satisfied with the documents of title and the identity of the Person making the request. If a Prospectus Supplement refers to any registrar or transfer agent designated by the Company with respect to any issue of Securities, the Company may at any time rescind the designation of any such registrar or transfer agent and appoint another in its place or approve any change in the location through which such registrar or transfer agent acts.

In the case of book-entry only securities, a global certificate or certificates representing the Securities will be held by a designated depository for its participants. The Securities must be purchased or transferred through such participants, which includes securities brokers and dealers, banks and trust companies. The depository will establish and maintain book-entry accounts for its participants acting on behalf of holders of the Securities. The interests of such holders of Securities will be represented by entries in the records maintained by the participants. Holders of Securities issued in book-entry only form will not be entitled to receive a certificate or other instrument evidencing their ownership thereof, except in limited circumstances. Each holder will receive a customer confirmation of purchase from the participants from which the Securities are purchased in accordance with the practices and procedures of that participant.

RISK FACTORS

Prospective investors in the Securities should consider carefully the matters set forth in the section entitled "Risks and risk management" in Management's Discussion and Analysis of financial results in respect of the Company's most recent annual financial statements and in Management's Discussion and Analysis of financial results in respect of the Company's interim financial statements filed thereafter, each of which is deemed to be incorporated by reference in this Prospectus.

PLAN OF DISTRIBUTION

The Company may sell the Securities to or through underwriters or dealers, and also may sell Securities to one or more other purchasers directly or through agents. Each Prospectus Supplement will set forth the terms of the offering, including the name or names of any underwriters or agents, the purchase price or prices of the Securities and the proceeds to the Company from the sale of the Securities.

The Securities may be sold, from time to time in one or more transactions at a fixed price or prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices.

Underwriters, dealers and agents who participate in the distribution of the Securities may be entitled under agreements to be entered into with the Company to indemnification by the Company against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. Such underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, the Company in the ordinary course of business.

In connection with any offering of Securities, the underwriters or agents may, subject to applicable law, over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

LEGAL MATTERS

Certain legal matters in connection with any offering hereunder will be passed upon by Norton Rose Fulbright Canada LLP, Toronto, Ontario and by Paul, Weiss, Rifkind, Wharton & Garrison LLP, New York, New York for the Company.

EXPERT

The auditor for the Company is Deloitte LLP, Independent Registered Public Accounting Firm, Vancouver, British Columbia. Deloitte LLP is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

The following documents have been or will be filed with the SEC as part of the Registration Statement of which this Prospectus forms a part: the documents referred to under "Documents Incorporated by Reference"; consent of Deloitte LLP; powers of attorney from directors and officers of the Company; the Canadian Indenture; the form of U.S. Indenture; and the statement of eligibility of the U.S. Trustee on Form T-1. The Form F-X of the Company and the Form F-X of Computershare Trust Company of Canada have also separately been filed with the SEC.

U.S.$

TELUS Corporation

% Notes due , 2027

PROSPECTUS SUPPLEMENT
, 2016

Joint Book-Running Managers

BofA Merrill Lynch	**RBC Capital Markets**	**Wells Fargo Securities**	**TD Securities**

QuickLinks

comply with service requirements of the Federal Communications Commission (FCC). The value of these licenses is recorded as License rights on the Balance Sheet.

The acquisition of the licenses in the exchange was accounted for as a purchase by U.S. Cellular and the transfer of the properties by U.S. Cellular to AT&T Wireless was accounted for as a sale. A $23.6 million Loss on assets of operations held for sale (included in operating expenses) was recorded in the nine months ended September 30, 2003 representing the difference between the carrying value of the markets transferred to AT&T Wireless and the fair value of the consideration received or to be received in the transaction.

22. Assets and Liabilities of Operations Held for Sale

In connection with the definitive agreements with ALLTEL and MetroPCS described in Note 21, the consolidated Balance Sheet and supplemental data of U.S. Cellular as of September 30, 2004 reflect the assets and liabilities to be transferred as assets and liabilities of operations held for sale in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The results of operations of the markets to be transferred are included in results of operations through September 30, 2004 and will continue to be included in results of operations through the closings of the transactions.

Summarized assets and liabilities relating to operations held for sale are as follows:

(Dollars in thousands)	September 30, 2004
Current assets	$ 3,302
Licenses	8,758
Goodwill	8,257
Property, plant and equipment, net	10,010
Investment in unconsolidated entities	21,344
Other assets	252
Assets of operations held for sale	$ 51,923
Current liabilities	$ 1,796
Deferred credits	487
Liabilities of operations held for sale	$ 2,283

23. Accumulated Other Comprehensive Income

The cumulative balances of unrealized gains and (losses) on securities and derivative instruments and related income tax effects included in Accumulated other comprehensive income are as follows:

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
	(Dollars in thousands)	
Balance, beginning of period	$ 26,789	$ 10,307
Marketable Equity Securities		
Add (Deduct):		
Unrealized gains (losses) on marketable equity securities	(10,617)	25,216
Income tax (expense) benefit	4,201	(9,960)
Net unrealized gains (losses)	(6,416)	15,256
Deduct (Add):		
Recognized (losses) on marketable equity securities	--	(200)
Income tax benefit	--	79
Net recognized (losses) from marketable equity securities included in net income	--	(121)
	(6,416)	15,377
Derivative Instruments		
Unrealized gains (losses) on derivative instruments	11,167	(9,016)
Income tax (expense) benefit	(4,410)	3,474
Net unrealized gains (losses) on derivative instruments	6,757	(5,542)

Net change in unrealized gains included in comprehensive income	341	9,835
Balance, end of period	$ 27,130	$ 20,142

	Nine Months Ended September 30,	
	2004	2003
	(Dollars in thousands)	
Accumulated Unrealized Gains (Losses) on Derivative Instruments		
Balance, beginning of period	$ (33,720)	$ (5,181)
Add (Deduct):		
Unrealized gains (losses) on derivative instruments	11,167	(9,016)
Income tax (expense) benefit	(4,410)	3,474
	6,757	(5,542)
Balance, end of period	$ (26,963)	$ (10,723)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003 As Restated	2004	2003 As Restated
	(Dollars in thousands)			
Comprehensive Income				
Net Income	$ 21,309	$ 51,614	$ 68,525	$ 22,094
Net change in unrealized gains on marketable equity securities and derivative instruments	4,391	3,596	341	9,835
	$ 25,700	$ 55,210	$ 68,866	$ 31,929

24. Commitments and Contingencies

Indemnifications

U.S. Cellular enters into agreements in the normal course of business that provide for indemnification of counterparties. These include certain asset sales and financings with other parties. The terms of the indemnifications vary by agreement. The events or circumstances that would require U.S. Cellular to perform under these indemnities are transaction specific; however, these agreements may require U.S. Cellular to indemnify the counterparty for costs and losses incurred from litigation or claims arising from the underlying transaction. U.S. Cellular is unable to estimate the maximum potential liability for these types of indemnifications as the amounts are dependent on the outcome of future events, the nature and likelihood of which cannot be determined at this time. Historically, U.S. Cellular has not made any significant indemnification payments under such agreements.

Legal Proceedings

U.S. Cellular is involved in legal proceedings before the FCC and various state and federal courts from time to time. Management does not believe that any of such proceedings will have a materially adverse impact on the financial position, results of operations or cash flows of U.S. Cellular.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION

UNITED STATES CELLULAR CORPORATION AND SUBSIDIARIES

United States Cellular Corporation (U.S. Cellular AMEX symbol: USM) owns, operates and invests in wireless markets throughout the United States. U.S. Cellular is an 82.0%-owned subsidiary of Telephone and Data Systems, Inc. (TDS).

The following discussion and analysis should be read in conjunction with U.S. Cellular s interim consolidated financial statements and footnotes included herein, and with its audited consolidated financial statements and footnotes and Management s Discussion and Analysis of Results of Operations and Financial Condition included in its Annual Report on Form 10-K for the year ended December 31, 2003, as amended.

RESTATEMENTS AND RECLASSIFICATIONS

Restatement of September 30, 2004 Consolidated Statements of Cash Flows

As disclosed in Note 2, U.S. Cellular has restated the Consolidated Financial Statements as of and for the nine months ended September 30, 2004 for the presentation of accreted interest paid on the redemption of U.S. Cellular's Liquid Yield Option Notes ("LYONs"). The restatement reclassifies the $68.1 million accreted interest portion of the LYONs that were redeemed in July 2004 from a reduction in "cash flows from financing activities" to a reduction in "cash flows from operating activities" on the Consolidated Statements of Cash Flows. Certain discussions in the MD&A related to cash flows from operating and financing activities have been revised to reflect the change in classification of the LYONs' accreted interest. This restatement had no effect on U.S. Cellular's "Net increase (decrease) in cash and cash equivalents" for the nine months ended September 30, 2004, and only changed the classification of cash flow items. The restatement of the Consolidated Statements of Cash Flows had no impact on revenues, expenses, net income, earnings per share, or any Balance Sheet items.

Investment in Licenses and Goodwill Restatements

On May 14, 2004, U.S. Cellular restated its 2003 and 2002 financial statements relating to the implementation of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, which was adopted on January 1, 2002. Prior to January 1, 2002, U.S. Cellular allocated the excess of purchase price of wireless properties over tangible assets and liabilities acquired to investment in licenses and goodwill. At this time, the accounting treatment for U.S. Cellular s investment in wireless licenses and goodwill was the same for book purposes, with both asset classes amortized over an expected life of 40 years. However, no deferred taxes were provided on the amounts allocated to goodwill.

Based on a subsequent review of goodwill, U.S. Cellular restated the allocation of $138.9 million of purchase price recorded as goodwill to investment in licenses as of January 1, 2002, the date of the adoption of SFAS No. 142. In connection with this restatement, an additional deferred tax liability of $90.7 million was recorded as of January 1, 2002. The additional deferred tax liability recorded in conjunction with this restatement increased the carrying value of the investment in licenses by a corresponding $90.7 million. Following these adjustments, U.S. Cellular reperformed the impairment tests for its investment in licenses as of January 1, 2002, and recorded an impairment loss of $20.9 million before an income tax benefit of $8.2 million. This impairment has been recorded as a cumulative effect of an accounting change at January 1, 2002, the date of the adoption of SFAS No. 142.

In the first quarter of 2003, U.S. Cellular had recorded a Loss on assets of operations held for sale related to the pending disposition of certain wireless properties. The investment in licenses upon which the impairment was recorded in the first quarter of 2002 included the investment in licenses of these properties. As a result, a portion of the originally recognized Loss on assets of operations held for sale in the first quarter of 2003 was recognized in the first quarter of 2002. Consequently, Loss on assets of operations held for sale in the first quarter of 2003 was reduced by $1.9 million, before an income tax benefit of $0.8 million. In the third quarter of 2003, U.S. Cellular had originally recorded an income tax expense upon the closing of the disposition of such wireless properties. This tax expense was reduced due to the reversal of additional deferred tax liabilities that were recorded with respect to the wireless properties exchanged in conjunction with the restatement from goodwill to investment in licenses. Consequently, income tax expense in the third quarter of 2003 was reduced by $10.7 million.

In addition, as a result of the restatement discussed above, U.S. Cellular also reperformed the annual impairment test for its investment in licenses for 2003, which was originally performed during the second quarter of 2003. This resulted in the recognition of an additional impairment loss of $49.6 million, before an income tax benefit of $19.6 million in the second quarter of 2003.

Retention Reclassifications

Certain amounts reported in prior years have been reclassified to conform to the current period presentation. Prior to the fourth quarter of 2003, U.S. Cellular separately disclosed marketing and selling expenses and general and administrative expenses in its Statements of Operations. In the fourth quarter of 2003, U.S. Cellular combined the marketing and selling expense and general and administrative expense captions into one caption designated as selling, general and administrative expense. Previously, costs for equipment sold to retain current customers were included in selling, general and administrative expense. Prior to the fourth quarter of 2003, these costs were partially offset by equipment sales revenues received from these customers. In the fourth quarter of 2003, U.S. Cellular changed its policy for classifying retention costs and reclassified the equipment sales revenue and cost of equipment sold related to the retention of current customers out of selling, general and administrative expenses and into equipment sales revenues and cost of equipment sold, respectively, for each period presented. These reclassifications have been reflected in the three and nine months ended September 30, 2003. These reclassifications increased equipment sales revenues for the three and nine months ended September 30, 2003 by $7.6 million and $21.6 million, respectively, and increased cost of equipment sold by $23.5 million and $69.6 million, respectively, from the amounts originally reported. Selling, general and administrative expenses were reduced by $15.9 million and $48.0 million from the amounts originally reported in the results for the three and nine months ended September 30, 2003 to reflect the amounts reclassified to equipment sales revenues and cost of equipment sold. These reclassifications did not have any impact on income from operations, net income, earnings per share, financial position or cash flows of U.S. Cellular for the three and nine months ended September 30, 2003.

SUMMARY OF HOLDINGS

U.S. Cellular owned, or had the right to acquire pursuant to certain agreements, either majority or minority interests in 159 cellular markets and 70 personal communications service basic trading area markets at September 30, 2004. Of the markets it owned, nine cellular markets and one personal communications service market are expected to be divested pursuant to agreements entered into as of that date. When all pending transactions are completed, U.S. Cellular will own majority or minority interests in 150 cellular markets and 69 personal communications service markets.

A summary of the number of markets U.S. Cellular owns, has rights to acquire or agreed to divest as of September 30, 2004 follows.

	Number of Markets
Consolidated markets (1)	178
Consolidated markets to be acquired pursuant to existing agreements (2)	20
Consolidated markets to be divested pursuant to existing agreements (3)	(3)
Minority interests accounted for using equity method	25
Minority interests accounted for using equity method to be divested pursuant to existing agreements (3)	(6)
Minority interests accounted for using cost method	6
Minority interests accounted for using cost method to be divested pursuant to existing agreements (3)	(1)
Total owned markets, net of markets agreed to be divested	219

(1) Represents markets whose operations are included in U.S. Cellular s consolidated results.
(2) Represents licenses to be acquired from AT&T Wireless over a five-year period beginning August 1, 2003.
(3) Of the markets to be divested, nine markets represent licenses to be sold to ALLTEL (as defined below) and one market represents a license to be sold to MetroPCS (as defined below) pursuant to agreements entered into as of September 30, 2004. As of that date, of the nine markets to be sold to ALLTEL, two are included in U.S. Cellular s consolidated markets, six markets are accounted for using the equity method and one market is accounted for using the cost method. The market to be sold to MetroPCS is included in U.S. Cellular s consolidated markets as of September 30,

2004.

OVERVIEW

The following is a summary of certain selected information from the complete management discussion that follows the overview and does not contain all of the information that may be important. You should carefully read this entire Management s Discussion and Analysis of Results of Operations and Financial Condition and not rely solely on the overview.

Results of Operations

U.S. Cellular positions itself as a regional operator, focusing its efforts on providing wireless service to customers in the geographic areas where it has licenses to provide such service. U.S. Cellular differentiates itself from its competitors through a customer satisfaction strategy, reflecting broad product distribution, a customer service focus and a high-quality wireless network.

U.S. Cellular s business development strategy is to operate controlling interests in wireless licenses in areas adjacent to or in proximity to its other wireless licenses, thereby building contiguous operating market areas. U.S. Cellular s operating strategy is to strengthen the geographic areas where it can continue to build long-term operating synergies and to exit those areas where it does not have opportunities to build such synergies. In addition to the recent transactions disclosed in U.S. Cellular s Annual Report on Form 10-K for the year ended December 31, 2003, as amended, on February 18, 2004, U.S. Cellular completed the sale of certain of its wireless properties in southern Texas to AT&T Wireless Services, Inc. (AT&T Wireless) for $96.9 million in cash, including a working capital adjustment. On August 4, 2004, TDS and U.S. Cellular announced that they had entered into a definitive agreement with ALLTEL Communications Inc. (ALLTEL) to sell certain wireless properties. U.S. Cellular will sell two consolidated properties and five minority interests to ALLTEL for approximately $80 million in cash, including repayment of debt and working capital that is subject to adjustment at closing. The transaction is expected to close in the fourth quarter of 2004. Also, on September 23, 2004, U.S. Cellular announced that it had entered into a definitive agreement to sell its Daytona Beach, Florida 20 MHz C block personal communications service license to MetroPCS California/Florida, Inc. (MetroPCS) for approximately $8.5 million. The transaction is expected to close in the fourth quarter of 2004.

U.S. Cellular s operating income in the nine months ended September 30, 2004 increased $41.5 million, or 44%, to $136.2 million from $94.7 million in 2003. The operating income margins (as a percent of service revenues) were 6.9% in 2004 and 5.3% in 2003. U.S. Cellular s 2003 operating income and operating income margin were significantly affected by the Loss on assets of operations held for sale and Loss on impairment of intangible assets. Although operating income and margins improved in 2004, U.S. Cellular expects that there will be pressure on operating income and margins in the next few years related to the following factors:

- costs of customer acquisition and retention;
- competition;
- increased customer use of its services;
- launching service in new areas;
- reduced inbound roaming revenues; and
- continued enhancements to its wireless networks.

The effects of these factors are expected to be mitigated to some extent by the following factors:

- reduced outbound roaming costs per minute; and
- expansion of revenues from data-related services and newly launched markets.

See Results of Operations.

Financing Initiatives

U.S. Cellular has recently received or will receive licenses that will be in a development phase for several years. U.S. Cellular anticipates that it may require financing over the next few years for capital expenditures, for the development of these new markets and to further its growth in the Chicago market and its other recently launched markets.

To support these anticipated expenditures, U.S. Cellular continues to seek to maintain a strong Balance Sheet and its investment grade rating. U.S. Cellular had Cash and cash equivalents totaling $30.7 million and had $644.8 million of availability under its revolving credit facilities as of September 30, 2004. U.S. Cellular is also generating substantial cash flows from operations. Cash flow from operating activities totaled $315.8 million during the first nine months of 2004. In addition, U.S. Cellular has access to public and private capital markets to help meet its long-term financing needs. Management believes that cash on hand, expected future cash flows from operations and existing sources of external financing provide substantial financial flexibility and are sufficient to permit U.S. Cellular to finance its contractual obligations and anticipated capital expenditures.

As of June 17, 2004, U.S. Cellular issued $330 million in aggregate principal amount of unsecured 7.5% senior notes due 2034. The net proceeds from this offering, after deducting underwriting discounts, were approximately $319.6 million.

On June 28, 2004, U.S. Cellular issued $100 million in aggregate principal amount of unsecured 6.7% senior notes due 2033 priced to yield 7.21% to maturity. The net proceeds from this offering, after deducting underwriting discounts, were approximately $92.9 million. This was a further issuance of U.S. Cellular s 6.7% notes that were issued on December 8, 2003 in the aggregate principal amount of $444 million.

The total net proceeds from the 7.5% and 6.7% senior note offerings completed in June 2004, after deducting underwriting discounts, were approximately $412.5 million. Of this amount, $163.3 million was used to redeem U.S. Cellular s Liquid Yield Option Notes on July 26, 2004 at accreted value. The balance of the net proceeds, together with borrowings under the revolving credit agreement, was used to redeem all $250 million of U.S. Cellular s 7.25% senior notes on August 16, 2004. U.S. Cellular also used borrowings under its revolving credit facility to fund the repayment of its $105 million loan from TDS (the Intercompany Note) in February 2004. As a result of these transactions, the average maturity date of U.S. Cellular s long-term debt has been significantly extended into the future.

See Financial Resources and Liquidity and Capital Resources.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 2004 Compared to Nine Months Ended September 30, 2003

Following is a table of summarized operating data for U.S. Cellular s consolidated operations.

	Nine Months Ended or At September 30, 2004	Nine Months Ended or At September 30, 2003
As of September 30, (1a)		
Total market population (2)	45,581,000	45,817,000
Customers (3)	4,828,000	4,268,000
Market penetration (4)	10.59%	9.32%
Total employees	6,475	6,100
Cell sites in service	4,713	4,082
For the Nine Months Ended September 30, (1b)		
Average monthly service revenue per customer (5)	$ 47.49	$ 47.27
Postpay churn rate per month (6)	1.5%	1.6%
Sales and marketing cost per gross customer addition (7)	$ 391	$ 378

(1a) Amounts in 2003 (i) do not include the 10 markets transferred to AT&T Wireless in August 2003, (ii) include the 15 markets acquired and transferred from AT&T Wireless in August 2003 and (iii) include the six markets sold to AT&T Wireless in February 2004. Amounts in 2004 (i) include the 15 markets acquired and transferred from AT&T Wireless in August 2003, (ii) exclude the 10 markets transferred to AT&T Wireless in August 2003 and (iii) exclude the six markets sold to AT&T Wireless in February 2004. Amounts in both periods include the markets included in Assets and Liabilities of operations held for sale at September 30, 2004.

(1b) Amounts in 2003 (i) include the results of the 10 markets transferred to AT&T Wireless through July 31, 2003, (ii) include any development and operating activities related to the 15 markets acquired and transferred from AT&T Wireless in August 2003 from the transfer date through September 30, 2003 and (iii) include the results of the six markets sold to AT&T Wireless in February 2004 for the entire period. Amounts in 2004 (i) include any development and operating activities related to the 15 markets acquired and transferred from AT&T Wireless in August 2003 for the entire period, (ii) exclude the results of the 10 markets transferred to AT&T Wireless in August 2003 for the entire period and (iii) include the results of the six markets sold to AT&T Wireless in February 2004 from January 1, 2004 through February 17, 2004. Amounts in both periods include the results of the markets included in Assets and Liabilities of operations held for sale at September 30, 2004.

(2) Represents 100% of the population of the markets in which U.S. Cellular has a controlling financial interest for financial reporting purposes, including one additional market consolidated pursuant to the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 46 ("FIN 46") as of January 1, 2004. The total market population of 1.5 million in the 10 markets that U.S. Cellular transferred to AT&T Wireless in August 2003 is excluded from this amount for 2003, as the customers of these 10 markets are not included in U.S. Cellular's consolidated customer base as of September 30, 2003 or 2004. The total market population of the six markets sold to AT&T Wireless in February 2004 is not included in this amount for 2004, as the customers sold to AT&T Wireless are not included in U.S. Cellular's consolidated customer base as of September 30, 2004.

(3) U.S. Cellular's customer base consists of the following types of customers:

	September 30,	
	2004	2003
Customers on postpay service plans in which the end user is a customer of U.S. Cellular ("postpay customers")	4,233,000	3,902,000
End user customers acquired through U.S. Cellular's agreement with a third party ("reseller customers")*	433,000	190,000
Total postpay customer base	4,666,000	4,092,000
Customers on prepaid service plans in which the end user is a customer of U.S. Cellular ("prepaid customers")	162,000	176,000
Total customers	4,828,000	4,268,000

* Pursuant to its agreement with the third party, U.S. Cellular is compensated by the third party on a postpay basis; as a result, all customers U.S. Cellular has acquired through this agreement are considered to be postpay customers.

(4) Calculated using 2003 and 2002 Claritas population estimates for 2004 and 2003, respectively. "Total market population" is used only for the purposes of calculating market penetration, which is calculated by dividing customers by the total market population (without duplication of population in overlapping markets).

(5) Average monthly service revenue per customer is calculated as follows:

	Nine Months Ended September 30,	
	2004	2003
Service Revenues per Statement of Operations	$ 1,974,004	$ 1,803,150
Divided by average customers during period (000s)	4,619	4,238
Divided by nine months in each period	9	9
Average monthly service revenue per unit	$ 47.49	$ 47.27

(6) Postpay churn rate per month represents the percentage of the postpay customer base that disconnects service each month, including both postpay customers and reseller customer numbers. Reseller customers can disconnect service without the associated account number being disconnected from U.S. Cellular's network if the reseller elects to reuse the customer telephone number; as a result, only those reseller customer numbers that are disconnected from U.S. Cellular's network are counted in the number of postpay disconnects. The calculation divides the total number of postpay and reseller customers who disconnect service during the period by the number of months in such period, and then divides that quotient by the average monthly postpay customer base, which includes both postpay and reseller customers, for such period.

(7) For a discussion of the components of this calculation, see "Operating Expenses - Selling, General and Administrative."

On August 1, 2003, U.S. Cellular completed the transfer of wireless assets and customers in ten 25 megahertz markets in Florida and Georgia to AT&T Wireless pursuant to an agreement entered into in March 2003. In exchange, U.S. Cellular received the following: i) rights to acquire controlling interests in 36 personal communication service licenses; ii) approximately $34.0 million in cash; and iii) minority interests in six markets in which it previously owned a controlling interest. In accordance with the agreement, U.S. Cellular has deferred the assignment and development of 21 licenses for a period of up to five years from the closing date. U.S. Cellular will take possession of the licenses in staggered closings over that five-year period to comply with service requirements of the Federal Communications Commission (FCC). The value of these licenses is recorded as License rights on the Balance Sheet.

A $23.6 million Loss on assets of operations held for sale (included in operating expenses) was recorded in the nine months ended September 30, 2003, representing the difference between the carrying value of the markets transferred to AT&T Wireless and the fair value of the consideration received or to be received in the transaction. The Florida and Georgia markets that were transferred to AT&T Wireless are included in consolidated operations through August 1, 2003.

On February 18, 2004, U.S. Cellular completed the sale of certain of its wireless properties in southern Texas to AT&T Wireless for $96.9 million in cash, including a working capital adjustment. The U.S. Cellular markets sold to AT&T Wireless included wireless assets and customers in six cellular markets. An aggregate loss of $21.3 million (including a $22.0 million estimate of the Loss on assets of operations held for sale in the fourth quarter of 2003 and a $0.7 million reduction of the loss in the second quarter of 2004) was recorded as a Loss on assets of operations held for sale (included in operating expenses), representing the difference between the carrying value of the markets sold to AT&T Wireless and the cash

received in the transaction. The southern Texas markets sold to AT&T Wireless are included in consolidated operations from January 1, 2004 through February 17, 2004.

The results of the markets included in Assets and Liabilities of operations held for sale will be included in consolidated operating results through the respective closing dates of each pending transaction.

During the third quarter of 2004, U.S. Cellular revised its accounting for certain operating leases that contain fixed rental increases to recognize lease revenue and expense on a straight-line basis over the lease term in accordance with SFAS No. 13 Accounting for Leases, as amended, and related pronouncements. Pursuant to its revised accounting for such leases, U.S. Cellular recorded out-of-period adjustments to operating revenues and operating expenses during the third quarter of 2004. The adjustments were not considered material to the current year or any prior years earnings, earnings trends or financial statement line items. The lease adjustments were recorded in the current quarter ended September 30, 2004, and no prior periods were adjusted. The impact of the out-of-period adjustments on the affected line items in U.S. Cellular s consolidated Statement of Operations is as follows:

Increase (Decrease)	Nine Months Ended September 30, 2004
(Dollars in thousands, expect per share amounts)	
Service revenues long-distance and other	$ 821
Total operating revenues	821
System operations expenses	2,334
Selling, general and administrative expenses	1,606
Total operating expenses	3,940
Operating income	(3,119)
Net income	$ (1,871)
Basic earnings per share	$ (0.02)
Diluted earnings per share	$ (0.02)

Operating revenues increased $203.4 million, or 11%, to $2,118.1 million in 2004 from $1,914.7 million in 2003.

Nine Months Ended
September 30,

	2004	2003 As Restated
	(Dollars in thousands)	
Retail service	$ 1,709,181	$ 1,504,661
Inbound roaming	135,417	171,084
Long-distance and other service revenues	129,406	127,405
Service Revenues	1,974,004	1,803,150
Equipment sales	144,084	111,537
	$ 2,118,088	$ 1,914,687

Service revenues increased $170.8 million, or 9%, to $1,974.0 million in 2004 from $1,803.2 million in 2003. Service revenues primarily consist of: (i) charges for access, airtime, roaming and value-added services provided to U.S. Cellular s retail customers and to end users through third party resellers (retail service); (ii) charges to other wireless carriers whose customers use U.S. Cellular s wireless systems when roaming (inbound roaming); and (iii) charges for long-distance calls made on U.S. Cellular s systems. The increase was primarily due to the growing number of retail customers. Monthly service revenue per customer averaged $47.49 in the first nine months of 2004, and $47.27 in the first nine months of 2003. See footnote 5 to the table above for the calculation of average monthly service revenue per customer.

Retail service revenues increased $204.5 million, or 14%, to $1,709.2 million in 2004 from $1,504.7 million in 2003. Growth in U.S. Cellular s customer base and an increase in average monthly retail service revenue per customer were the primary reasons for the increase in retail service revenue. The number of customers increased 13% to 4,828,000 at September 30, 2004, from 4,268,000 at September 30, 2003. Of

the 560,000 increase in customers, 618,000 were added through U.S. Cellular s marketing channels while 58,000 net customers were subtracted as a result of acquisition and divestiture activities, primarily the divestiture to AT&T Wireless in February 2004. Average monthly retail service revenue per customer increased 4% to $41.11 in 2004 from $39.45 in 2003. The increase in average monthly retail service revenue per customer was primarily driven by an increase in minutes of use per customer and by growth in revenue from data products.

Management anticipates that growth in the customer base in U.S. Cellular s wireless markets will be slower in the future, primarily as a result of the increased competition in its markets and continued penetration of the consumer market. However, as U.S. Cellular expands its operations in Chicago and into its other recently acquired markets in future years, it anticipates adding customers and revenues in those markets.

Monthly local retail minutes of use per customer averaged 529 in 2004 and 412 in 2003. The increase in monthly local retail minutes of use was driven by U.S. Cellular s focus on designing sales incentive programs and customer billing rate plans to stimulate overall usage. The impact on retail service revenue of this increase was partially offset by a decrease in average revenue per minute of use in 2004. The decrease in average revenue per minute of use reflects the effects of increasing competition, which has led to the inclusion of an increasing number of minutes in package pricing plans. Management anticipates that U.S. Cellular s average revenue per minute of use will continue to decline in the future, reflecting increased competition and penetration of the consumer market.

Inbound roaming revenues decreased $35.7 million, or 21%, to $135.4 million in 2004 from $171.1 million in 2003. The decrease in revenue primarily related to the decrease in revenue per roaming minute of use, partially offset by an increase in roaming minutes of use. Also contributing to the decrease in inbound roaming revenue in 2004 was the effect of the transfer and sale of markets to AT&T Wireless; these markets had historically provided substantial amounts of inbound roaming revenue. In 2004, the decline in revenue per minute of use is primarily due to the general downward trend in negotiated rates. The increase in inbound roaming minutes of use was primarily driven by the overall growth in the number of customers throughout the wireless industry and strong customer growth for carriers that use Code Division Multiple Access (CDMA) digital radio technology, partially offset by the loss of minutes of use from the Florida and Georgia markets transferred to AT&T Wireless in August 2003 and the sale of the southern Texas markets to AT&T Wireless in February 2004.

Management anticipates that the rate of growth in inbound roaming minutes of use will continue to slow down due to these factors:

- newer customers may roam less than existing customers, reflecting further penetration of the consumer market;
- the divestiture of U.S. Cellular s markets in Florida and Georgia in August 2003 and in southern Texas in February 2004, which have historically provided substantial inbound roaming minutes of use;
- U.S. Cellular's roaming partners may switch their business from U.S. Cellular to other operators or to their own systems; and

- as certain wireless operators convert their networks to Global System for Mobile Communication (GSM) digital technology, which U.S. Cellular only supports through its analog service and in some cases through its Time Division Multiple Access (TDMA) service, those operators may switch their business to other operators who offer GSM service.

Management also anticipates that average inbound roaming revenue per minute of use will continue to decline, reflecting the continued general downward trend in negotiated rates.

Long-distance and other service revenues increased $2.0 million, or 2%, to $129.4 million in 2004 from $127.4 million in 2003. The increase primarily reflected an $8.1 million increase in competitive eligible telecommunications carrier funds received for the states in which U.S. Cellular is eligible to receive such funds; of this increase, an adjustment of $3.5 million related to amounts from prior years regulatory filings and the remaining increase was due to the increase in the number of states in which U.S. Cellular has eligibility to receive such funds. Also contributing to the increase in long-distance and other revenues was a $2.4 million increase in tower rental revenue, including a $1.1 million adjustment to record straight-line lease revenue for certain lease arrangements with fixed rental increases (of which $0.8 million was out-of-period revenue). These increases were partially offset by a $6.4 million decrease in long-distance revenue, which primarily reflected price reductions related to long-distance charges on roaming minutes of use as well as U.S. Cellular s increasing use of pricing plans for its retail customers which include long-distance calling at no additional charge.

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Equipment sales revenues increased $32.6 million, or 29%, to $144.1 million in 2004 from $111.5 million in 2003. U.S. Cellular includes in its equipment sales revenues any handsets and related accessories sold to its customers, whether the customers are new to U.S. Cellular or are current customers who are changing handsets. U.S. Cellular also sells handsets to its agents at a price approximately equal to U.S. Cellular s cost, before applying any rebates. Selling handsets to agents enables U.S. Cellular to provide better control over handset quality, establish roaming preferences and pass along quantity discounts. Management anticipates that it will continue to sell handsets to agents in the future, and that it will continue to provide rebates to agents who provide handsets to new and current customers. Equipment sales revenues have grown less significantly than cost of equipment sold in the nine months ended September 30, 2004 due to the continued substantial discounting of handsets. This trend is occurring throughout the wireless industry.

Equipment sales revenues from handset sales to agents is recognized upon delivery of the related products to the agents, net of anticipated agent rebates. In most cases, the agents receive the rebate from U.S. Cellular at the time these agents provide handsets to sign up new customers or retain current customers.

Customers added to U.S. Cellular s customer base through its marketing distribution channels (gross customer activations), one of the primary drivers of equipment sales revenues, increased 16% in 2004. The number of handsets provided to current customers for retention purposes also increased significantly, further increasing equipment sales revenues. Retention transactions have increased as U.S. Cellular continued to focus on retaining customers by offering existing customers new handsets similar to those offered to new customers as the expiration dates of customers service contracts approached.

Operating expenses increased $161.9 million, or 9%, to $1,981.9 million in 2004 from $1,820.0 million in 2003.

	Nine Months Ended September 30,	
	2004	2003 As Restated
	(Dollars in thousands)	
System operations (exclusive of depreciation included below)	$ 436,536	$ 438,721
Cost of equipment sold	356,729	245,149
Selling, general and administrative	825,836	745,020
Depreciation	327,131	272,534
Amortization and accretion	36,420	45,371
Loss on impairment of intangible assets		49,595
Loss (Gain) on assets of operations held for sale	(725)	23,619
	$ 1,981,927	$ 1,820,009

System operations expenses (excluding depreciation) decreased $2.2 million, or 1%, to $436.5 million in 2004 from $438.7 million in 2003. System operations expenses include charges from landline telecommunications service providers for U.S. Cellular's customers' use of their facilities, costs related to local interconnection to the landline network, charges for maintenance of U.S. Cellular's network, long-distance charges, outbound roaming expenses and payments to third-party data product and platform developers. The decrease in system operations expenses in 2004 was primarily due to the following factors:

- the divestitures of markets to AT&T Wireless in August 2003 and February 2004; and
- an ongoing reduction both in the per-minute cost of usage on U.S. Cellular's systems and in negotiated roaming rates.

The effects of the above factors were partially offset by the following factors:

- a 15% increase in the number of cell sites within U.S. Cellular's systems, to 4,713 in 2004 from 4,082 in 2003, as U.S. Cellular continues to expand and enhance coverage in its service areas through both acquisitions and internal growth; and
- increases in minutes of use on U.S. Cellular's systems and by its customers using other systems when roaming.

System operations expenses were also affected by the following:

- expenses incurred when U.S. Cellular's customers used other systems when roaming decreased $31.0 million;
- the cost of minutes of use on U.S. Cellular's systems increased $16.7 million; and
- maintenance, utility and cell site expenses increased $12.1 million, including an adjustment of $3.2 million to record straight-line lease expense for certain lease arrangements with fixed rental increases (of which $2.3 million was an out-of-period expense).

In 2004, roaming charges paid by U.S. Cellular to third parties when its customers roamed in the Chicago market and other recently launched markets declined compared to 2003. Continued integration of these markets into U.S. Cellular's operations resulted in increased use of U.S. Cellular's system by U.S. Cellular's customers and a corresponding decrease in roaming by its customers on other systems, primarily in the Midwest.

In total, management expects system operations expenses to increase over the next few years, driven by the following factors:

- increases in the number of cell sites within U.S. Cellular's systems as it continues to add capacity and enhance quality in all markets, and continues development activities in new markets; and
- increases in minutes of use, both on U.S. Cellular's systems and by U.S. Cellular's customers on other systems when roaming.

These factors are expected to be partially offset by anticipated decreases in the per-minute cost of usage both on U.S. Cellular's systems and on other carriers' networks. As the Chicago area and other recently launched markets have historically been among U.S. Cellular's customers' most popular roaming destinations, management anticipates that the continued integration of these markets into its operations will result in a further increase in minutes of use by U.S. Cellular's customers on its systems and a corresponding decrease in minutes of use by its customers on other systems, resulting in a lower overall increase in minutes of use by U.S. Cellular's customers on other systems. Such a shift in minutes of use should reduce U.S. Cellular's per-minute cost of usage in the future, to the extent that its customers use its systems rather than other carriers' networks.

Cost of equipment sold increased $111.6 million, or 46%, to $356.7 million in 2004 from $245.1 million in 2003. The increase was due to the 16% increase in gross customer activations as well as an increase in handsets sold to customers for retention purposes as the number of retention transactions has increased. In addition, the overall cost per handset increased in the first nine months of 2004 as more customers purchased higher priced, data-enabled handsets. These handsets are required for customers to access U.S. Cellular's **easy**edge[SM] suite of services, including camera phone capabilities, which was launched in the second half of 2003.

Selling, general and administrative expenses increased $80.8 million, or 11%, to $825.8 million in 2004 from $745.0 million in 2003. Selling, general and administrative expenses primarily consist of salaries, commissions and expenses of field sales and retail personnel and offices; agent commissions and related expenses; corporate marketing, merchandise management and telesales department salaries and expenses; advertising; and public relations expenses. Selling, general and administrative expenses also include the costs of operating U.S. Cellular's customer care centers, the costs of serving customers and the majority of U.S. Cellular's corporate expenses.

The increase in selling, general and administrative expenses in the first nine months of 2004 is primarily due to the following factors:

- a $24.2 million increase in employee and agent commissions and other payments made to agents for the activation and retention of customers, primarily driven by the 16% increase in gross customer activations and the increase in customer retention transactions;

- a $21.1 million increase in advertising costs, primarily related to the marketing of the U.S. Cellular brand in the Chicago market and in the markets which were launched in the first nine months of 2004, and the marketing of U.S. Cellular's data-related wireless services, which were launched in the second half of 2003;
- an $18.8 million increase in expenses related to payments into the federal universal service fund, primarily driven by an increase in rates due to changes in the FCC regulations as of April 2003 and the increase in retail service revenues, upon which payments into the fund are based; most of these payments are offset by increases in retail service revenues for amounts passed through to customers;

- a $9.4 million increase in bad debt expense, primarily attributable to the increase in operating revenues and the increase in writeoffs of accounts receivable considered uncollectible in 2004; and
- an adjustment of $2.0 million to record straight-line lease expense in the third quarter of 2004 for certain lease arrangements with fixed rental increases (of which $1.6 million was an out-of-period expense).

The increase was also attributable to the increase in employee-related expenses associated with acquiring, serving and retaining customers, primarily as a result of the increase in U.S. Cellular's customer base.

These increases were partially offset by a $23.3 million decrease in billing-related expenses, primarily due to the expenses incurred in 2003 related to the maintenance of the Chicago market's billing system and the transition to the system used in U.S. Cellular's other operations in July 2003.

Sales and marketing cost per gross customer activation increased 3% to $391 in 2004 from $378 in 2003, primarily due to increased handset subsidies. Management uses this measurement to assess the cost of acquiring customers on a per gross customer activation basis. Sales and marketing cost per gross customer activation is not calculable using financial information derived directly from the Statement of Operations. The definition of sales and marketing cost per gross customer activation that U.S. Cellular uses as a measure of the cost to acquire additional customers through its marketing distribution channels may not be comparable to similarly titled measures that are reported by other companies. Below is a summary of sales and marketing cost per gross customer activation for each period:

	Nine Months Ended September 30,	
	2004	2003 As Restated
	(Dollars in thousands except per customer amounts)	
Components of cost:		
Selling, general and administrative expenses related to the acquisition of new customers (1)	$ 357,871	$ 309,058
Cost of equipment sold to new customers (2)	248,735	175,510
Less equipment sales revenue from new customers (3)	(157,670)	(110,658)
Total costs	$ 448,936	$ 373,910
Gross customer activations (000s) (4)	1,149	989
Sales and marketing cost per gross customer activation	$ 391	$ 378

(1) Selling, general and administrative expenses related to the acquisition of new customers is reconciled to total selling, general and administrative expenses as follows:

	Nine Months Ended September 30,	
	2004	2003 As Restated

	(Dollars in thousands)	
Selling, general and administrative expenses, as reported	$ 825,836	$ 745,020
Less expenses related to serving and retaining customers	(467,965)	(435,962)
Selling, general and administrative expenses related to the acquisition of new customers	$ 357,871	$ 309,058

(2) Cost of equipment sold to new customers is reconciled to cost of equipment sold as follows:

	Nine Months Ended September 30,	
	2004	2003 As Restated
	(Dollars in thousands)	
Cost of equipment sold as reported	$ 356,729	$ 245,149
Less cost of equipment sold related to the retention of existing customers	(107,994)	(69,639)
Cost of equipment sold to new customers	$ 248,735	$ 175,510

(3) Equipment sales revenue from new customers is reconciled to equipment sales revenues as follows:

	Nine Months Ended September 30,	
	2004	2003 As Restated
	(Dollars in thousands)	
Equipment sales revenue as reported	$ 144,084	$ 111,537
Less equipment sales revenues related to the retention of existing customers, excluding agent rebates *	(22,020)	(21,620)
Add agent rebate reductions of equipment sales revenues related to the retention of existing customers	35,606	20,741
Equipment sales revenues from new customers	$ 157,670	$ 110,658

* In 2003, equipment sales revenues related to retaining current customers were recorded in selling, general and administrative expenses as a reduction of the cost of equipment sold to retain current customers. In order to conform the operating results for 2003 for which these revenues were recorded in selling, general and administrative expenses to the current period presentation, U.S. Cellular reclassified revenues related to the sales of equipment to existing customers as equipment sales revenues.

(4) Gross customer activations represent customers added to U.S. Cellular's customer base through its marketing distribution channels, including customers added through third party resellers, during the respective periods presented.

Monthly general and administrative expenses per customer, including the net costs related to the renewal or upgrade of service contracts of existing U.S. Cellular customers (net customer retention costs), increased 7% to $14.18 in 2004 from $13.23 in 2003. Management uses this measurement to assess the cost of serving and retaining its customers on a per unit basis.

This measurement is reconciled to total selling, general and administrative expenses as follows:

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003 As Restated
	(Dollars in thousands except per customer amounts)	
Components of cost (1)		
Selling, general and administrative expenses as reported	$ 825,836	$ 745,020
Less selling, general and administrative expenses related to the acquisition of new customers	(357,871)	(309,058)
Add cost of equipment sold related to the retention of existing customers	107,994	69,639
Less equipment sales revenues related to the retention of existing customers, excluding agent rebates	(22,020)	(21,620)
Add agent rebate reductions of equipment sales revenues related to the retention of existing customers	35,606	20,741
Net cost of serving and retaining customers	$ 589,545	$ 504,722
Divided by average customers during period (000s) (2)	4,619	4,238
Divided by nine months in each period	9	9
Average monthly general and administrative expenses per customer	$ 14.18	$ 13.23

(1) These components were previously identified in the table which calculates sales and marketing cost per customer activation and related footnotes.
(2) Average customers for the nine month periods were previously defined in footnote 4 to the table of summarized operating data.

Depreciation expense increased $54.6 million, or 20%, to $327.1 million in 2004 from $272.5 million in 2003. The majority of the increase reflects rising average fixed asset balances, which increased 11% in 2004. Increased fixed asset balances in 2004 resulted from the following factors:

- the addition of 785 new cell sites since September 30, 2003 (excluding the net divestiture of 154 sites, primarily as a result of the sale of properties to AT&T Wireless), which were built to improve coverage and capacity in U.S. Cellular s markets, both in currently served areas as well as in areas where U.S. Cellular has launched or is preparing to launch commercial service; and
- the addition of digital radio channels to U.S. Cellular s network to accommodate increased usage.

In addition, the following factors also contributed to the increase:

- a change in the useful lives of certain asset categories, which increased depreciation expense $12.1 million in 2004;
- certain Time Division Multiple Access (TDMA) digital radio equipment consigned to a third party for future sale was written down by $11.3 million prior to its consignment, increasing depreciation expense by that amount. This writedown was necessary to reduce the book value of the assets to be sold to their estimated proceeds from disposition;
- a $5.2 million addition to depreciation expense related to the writedown of certain assets prior to their disposition; and
- in preparation for the implementation of a fixed asset management and tracking software system, including a bar code asset identification system, U.S. Cellular is conducting a physical inventory review of its cell site fixed assets. U.S. Cellular expects to complete the review in the fourth quarter of 2004. U.S. Cellular charged $4.0 million to depreciation expense for the estimated write-off in the second quarter of 2004. To the extent the final results differ from the $4.0 million already charged to expense, an adjustment would be required in the fourth quarter of 2004.

In 2003, $5.0 million of depreciation expense was recorded related to the writeoff of certain assets.

See Financial Resources and Liquidity and Capital Resources for further discussions of U.S. Cellular s capital expenditures.

Amortization and accretion expense decreased $9.0 million, or 20%, to $36.4 million in 2004 from $45.4 million in 2003, primarily representing a $7.5 million decrease in amortization related to the customer list intangible assets and other amortizable assets acquired in the Chicago market transaction during 2002. The customer list assets are amortized using the declining balance method, based on average customer retention periods of each customer list. Therefore, decreasing amounts of amortization expense will be recorded in each 12-month period following the establishment of each customer list asset. Amortization and accretion expense includes $3.7 million of accretion related to the asset retirement obligation in 2004 and $3.2 million in 2003.

Loss on impairment of intangible assets totaled $49.6 million in 2003. As discussed previously, U.S. Cellular restated its 2003 and 2002 financial statements related to the implementation of Statement of Financial Accounting Standards (SFAS) No. 142 Goodwill and Other Intangible Assets. In connection with this restatement, U.S. Cellular reperformed the annual impairment test for its investment in licenses for 2003, which was originally performed during the second quarter of 2003. This resulted in the recognition of an additional impairment loss of $49.6 million, before an income tax benefit of $19.6 million.

The 2004 annual impairment tests for investments in licenses and goodwill were performed in the second quarter of 2004. Other than a license impairment loss of $1.8 million recorded on the Daytona market that is currently subject to a definitive agreement for sale to MetroPCS, no impairment losses resulted from the 2004 annual impairment tests. See Investment and Other Income (Expense) for a discussion of this license impairment loss.

Loss (gain) on assets of operations held for sale totaled a gain of $0.7 million in 2004 and a loss of $23.6 million in 2003.

The amount recorded in 2004 was a reduction of a $22.0 million estimated loss recorded in the fourth quarter 2003 on the sale of U.S. Cellular markets in southern Texas to AT&T Wireless on February 17, 2004. The result was an aggregate loss of $21.3 million, representing the difference between the carrying value of the markets sold and the cash received in the transaction. The southern Texas markets sold to AT&T Wireless were included in consolidated operations from January 1, 2004 through February 17, 2004.

The $23.6 million loss in 2003 represented the difference between the fair value of the assets U.S. Cellular received and expects to receive in the AT&T Wireless exchange transaction which was completed in August 2003, and the recorded value of the assets it transferred to AT&T Wireless.

Operating Income

Operating income increased $41.5 million, or 44%, to $136.2 million in 2004 from $94.7 million in 2003. The operating income margins (as a percent of service revenues) were 6.9% in 2004 and 5.3% in 2003. The increase in operating income and operating income margin in 2004 reflects the following:

- the Loss on impairment of intangible assets recorded in 2003;
- the Loss on assets of operations held for sale recorded in 2003 related to the asset exchange transaction with AT&T Wireless;
- increased service revenues, driven by growth in the number of customers served by U.S. Cellular's systems and an increase in average monthly revenue per customer;
- a decline in amortization and accretion expense, primarily due to the reduction in the amortization of the customer list asset related to the Chicago market;
- a slight decline in system operations expense, primarily driven by the effects of the divestitures of markets to AT&T Wireless in 2003 and 2004 and an ongoing reduction both in the per-minute cost of usage on U.S. Cellular s systems and in negotiated roaming rates; and
- reductions in billing expense.

These factors were partially offset by the following:

- increased minutes of use and cell sites in service;
- increased selling, general and administrative expense, primarily due to the increases in commissions and agent payments, advertising expenses and expenses related to acquiring, serving and retaining additional customers;

- increased equipment subsidies, primarily due to the increase in the number of handsets sold to new customers and related to the renewal or upgrade of service contracts of existing U.S. Cellular customers as well as the increased subsidy per handset; and
- increased depreciation expense, primarily driven by an increase in average fixed assets related to ongoing improvements to U.S. Cellular s wireless network and a change in the useful lives of certain fixed assets.

U.S. Cellular expects most of the above factors to continue to have an effect on operating income and operating margins for the next several quarters provided that, except to the extent disclosed in this Form 10-Q/A, U.S. Cellular cannot anticipate the extent to which the factors related to Loss on impairment of intangible assets and (Gain) loss on assets of operations held for sale may have an effect, if any, since these will depend on the outcome of future events. Any changes in the above factors, as well as the effects of other drivers of U.S. Cellular s operating results, may cause operating income and operating margins to fluctuate over the next several quarters.

U.S. Cellular plans to incur additional expenses during the remainder of 2004 as it competes in its established markets and in recently launched markets. Additionally, U.S. Cellular plans to build out its network into other as yet unserved portions of its licensed areas, and expects to begin sales and marketing operations in those areas in 2005 and subsequent years. U.S. Cellular launched its brand of data-related wireless services in many of its markets in the second half of 2003, and expects to incur expenses related to its continued marketing of data-related wireless services in the next few years.

As a result, depending on the timing and effectiveness of these initiatives, U.S. Cellular anticipates that operating income will range from $150 million to $175 million for the full year of 2004, including $500 million of anticipated depreciation, amortization and accretion expenses, compared to $119 million of operating income in 2003.

U.S. Cellular anticipates that service revenues will total approximately $2.65 billion for the full year of 2004, compared to service revenues of $2.4 billion in 2003. The anticipated service revenue growth in 2004 reflects the continued growth in U.S. Cellular s customer base and the continued marketing of data-related wireless services in its markets, partially offset by the effects of the sale of properties to AT&T Wireless in February 2004 and the markets transferred to AT&T Wireless in the exchange transaction completed in August 2003.

Depending on the timing and effectiveness of its marketing efforts, U.S. Cellular anticipates that net customer activations from its marketing channels will total 615,000 to 645,000 for the full year of 2004. However, management anticipates that average monthly service revenue per customer will decrease slightly, as retail service revenue per minute of use and inbound roaming revenue per minute of use decline.

U.S. Cellular anticipates that its net costs associated with customer growth, service and retention, initiation of new services, launches in new markets and fixed asset additions will continue to grow. U.S. Cellular anticipates that its net customer retention costs will increase in the future as competitive pressures continue and as per unit handset costs increase without compensating increases in the per unit sales price of handsets to customers and agents.

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Management believes there exists a seasonality in both service revenues, which tend to increase more slowly in the first and fourth quarters, and operating expenses, which tend to be higher in the fourth quarter than in the other quarters due to increased marketing activities and customer growth, which may cause operating income to vary from quarter to quarter. Management anticipates that the impact of such seasonality will decrease in the future, particularly as it relates to operating expenses, as the proportion of full year customer activations derived from fourth quarter holiday sales is expected to decline to reflect ongoing, rather than seasonal, promotions of U.S. Cellular s products.

Effects of Competition on Operating Income

U.S. Cellular competes directly with several wireless communications services providers, including enhanced specialized mobile radio service providers, in each of its markets. In general, there are between five and seven competitors in each wireless market in which U.S. Cellular provides service. U.S. Cellular generally competes against each of the six near-nationwide wireless companies: Verizon Wireless, Sprint PCS Group (and affiliates), Cingular Wireless LLC, AT&T Wireless, T-Mobile USA Inc. and Nextel Communications. However, not all six competitors operate in all markets where U.S. Cellular does business. U.S. Cellular believes that these competitors have substantially greater financial, technical, marketing, sales, purchasing and distribution resources than it does. In addition, Cingular Wireless LLC has recently acquired AT&T Wireless, which increased this competitor s financial, technical, marketing, sales, purchasing and distribution resources.

The use of national advertising and promotional programs by such national wireless operators may be a source of additional competitive and pricing pressures in all U.S. Cellular markets, even if those operators may not provide service in a particular market. U.S. Cellular provides wireless services comparable to the national competitors, but the other wireless companies operate in a wider geographic area and are able to offer no- or low-cost roaming and long-distance calling packages over a wider area on their own networks than U.S. Cellular can offer on its network. If U.S. Cellular offers the same calling area as one of these competitors, it will incur roaming charges for calls made in portions of the calling area that are not part of its network.

In the Midwest, U.S. Cellular s largest contiguous service area, it can offer larger regional service packages without incurring significant roaming charges than it is able to offer in other parts of its network. U.S. Cellular also employs a customer satisfaction strategy throughout its markets which it believes has contributed to a relatively low customer churn rate.

Some of U.S. Cellular s competitors bundle other services, such as landline telephone service and internet access, with their wireless communications services, which U.S. Cellular either does not have the ability to offer or has chosen not to offer.

In addition, U.S. Cellular competes against both larger and smaller regional wireless companies in certain areas, including ALLTEL, Western Wireless Corporation and Rural Cellular Corporation, and against resellers of wireless services. Since each of these competitors operates on systems using spectrum licensed by the FCC and has comparable technology and facilities, competition for customers among these systems in each market is principally on the basis of quality of service, price, size of area covered, services offered and responsiveness of customer service.

Since U.S. Cellular s competitors do not disclose their subscriber counts in specific regional service areas, market share for the competitors in each regional market cannot be accurately determined.

Effects of Wireless Number Portability on Operating Income

The FCC has adopted wireless number portability rules requiring wireless carriers to allow a customer to retain, subject to certain geographical limitations, their existing telephone number when switching from one telecommunications carrier to another. These rules have become effective for all U.S. Cellular markets on or before May 24, 2004.

U.S. Cellular has been successful in facilitating number portability requests in a timely manner. The implementation of wireless number portability has not had a material effect on U.S. Cellular s results of operations to date. However, U.S. Cellular is unable to predict the impact that the implementation of number portability will have in the future. The implementation of wireless number portability may increase churn rates for U.S. Cellular and other wireless companies, as the ability of customers to retain their wireless telephone numbers removes a significant barrier for customers who wish to change wireless

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carriers. However, to the extent U.S. Cellular loses customers, the effect may be offset to the extent it is able to obtain additional new customers who wish to change their service from other wireless carriers as a result of wireless number portability. The future volume of any porting requests, and the processing costs related thereto, may increase U.S. Cellular s operating costs in the future. Any of the above factors could have an adverse effect on U.S. Cellular s competitive position, costs of obtaining new subscribers, liquidity, financial position and results of operations.

Investment and Other Income (Expense) totaled $(14.4) million in 2004 and $(11.0) million in 2003.

Investment income increased $14.7 million, or 40%, to $51.9 million in 2004 from $37.2 million in 2003. Investment income primarily represents U.S. Cellular s share of net income from the markets managed by others that are accounted for by the equity method. The aggregate net income of these investment markets increased significantly in 2004, resulting in a corresponding increase in investment income.

Interest and dividend income increased $0.3 million, or 10%, to $3.2 million in 2004 from $2.9 million in 2003. Interest income primarily includes interest earned on U.S. Cellular cash balances. Dividend income is earned on the investment in Vodafone stock. Vodafone s semiannual dividend increased 21% in 2004 compared to 2003.

Interest (expense) increased $17.4 million, or 37%, to $64.9 million in 2004 from $47.5 million in 2003. Interest expense in 2004 is primarily related to U.S. Cellular s 6.7% notes ($24.4 million); its 7.25% notes ($11.6 million); its 8.75% notes ($8.6 million); its 7.5% notes ($7.3 million); its Liquid Yield Option Notes ($5.9 million); its revolving credit facilities with a series of banks ($2.5 million); its Vodafone forward contracts ($2.2 million); and its Intercompany Note with TDS (the Intercompany Note) ($0.9 million). See below for a discussion of the repayments of the Intercompany Note, the Liquid Yield Option Notes and the 7.25% notes during 2004.

Interest expense in 2003 primarily related to U.S. Cellular s 7.25% notes ($13.9 million); its 8.75% notes ($8.5 million); its revolving credit facilities with a series of banks ($7.9 million); its Liquid Yield Option Notes ($7.0 million); its Intercompany Note with TDS ($6.5 million); and its Vodafone forward contracts ($2.2 million).

The overall increase in interest expense in the first nine months of 2004 is primarily due to the effect of the issuance of the 6.7% notes in December 2003 and June 2004, the issuance of the 7.5% notes in June 2004 and subsequent repayment of lower variable interest rate revolving credit facility borrowings in December 2003.

The Liquid Yield Option Notes accreted interest at 6% annually, but did not require current cash payments of interest. All accreted interest was added to the outstanding principal balance on June 15 and December 15 of each year for purposes of calculating interest expense. U.S. Cellular redeemed all of such notes for cash as of July 26, 2004.

U.S. Cellular s $250 million principal amount of 7.25% senior notes were unsecured and were due in August 2007. Interest on such notes was payable semi-annually on February 15 and August 15 of each year. U.S. Cellular redeemed such notes on August 16, 2004.

U.S. Cellular s $130 million principal amount of 8.75% senior notes are unsecured and become due in November 2032. Interest on such notes is payable quarterly on February 1, May 1, August 1 and November 1 of each year.

U.S. Cellular s $544 million principal amount of 6.7% senior notes are unsecured and become due in December 2033. Interest on such notes is payable semi-annually on June 15 and December 15 of each year. U.S. Cellular originally issued $444 million of the 6.7% notes in December 2003 in order to reduce the use of its revolving credit facility and the related interest rate risk. An additional $100 million of such notes was issued in June 2004. The proceeds of such additional issuance, together with the proceeds of the 7.5% notes discussed below, were used to redeem the Liquid Yield Option Notes on July 26, 2004. The balance of the net proceeds, together with borrowings under the revolving credit agreement, was used to redeem all of U.S. Cellular s 7.25% senior notes on August 16, 2004.

As of June 17, 2004, U.S. Cellular issued $330 million in aggregate principal amount of 7.5% senior notes due 2034. These notes are unsecured and interest on such notes is payable quarterly on March 15, June 15, September 15 and December 15 of each year.

For information regarding U.S. Cellular s Revolving Credit Facilities, see Liquidity and Capital Resources Revolving Credit Facilities. For information regarding the Intercompany Note from TDS, see Certain Relationships and Related Transactions.

Loss on investments totaled $1.8 million in 2004 and $3.5 million in 2003. A $3.5 million license impairment loss was recorded in 2003 related to U.S. Cellular s investment in a non-operational market in Florida that remained with U.S. Cellular after the exchange with AT&T Wireless was completed in August 2003. An additional impairment loss of $1.8 million was recorded in the second quarter of 2004 to reflect a further impairment in the carrying value of the same investment. In September 2004, U.S. Cellular entered into an agreement to sell this market to MetroPCS. No gain or loss is expected on the sale.

Income Taxes

Income tax expense increased $8.7 million, or 23% to $46.4 million in 2004 from $37.7 million in 2003 primarily due to higher pretax income. In addition, in 2004, U.S. Cellular recorded income tax expense of $3.3 million on the pending sale of certain assets to ALLTEL, and recorded tax benefits of $6.0 million primarily resulting from the substantial completion of the audit of TDS s consolidated federal income tax returns for 1997 through 2001. U.S. Cellular and its subsidiaries are included in the TDS consolidated group. In 2003, U.S. Cellular recorded tax benefits of $27.7 million on Loss on investments, Loss on impairment of intangible assets and (Gain) loss on assets of operations held for sale. The effective tax rate was 38.1% in 2004 and was 45.1% in 2003 including the effect of the losses and gains. Excluding the tax effects of losses and gains, the effective tax rate on operations was 33.4% in 2004 and 40.8% in 2003. For further analysis and discussion of U.S. Cellular s effective tax rates in 2004 and 2003, see Note 4 Income Taxes.

TDS and U.S. Cellular are parties to a Tax Allocation Agreement, pursuant to which U.S. Cellular is included in a consolidated federal income tax return with other members of the TDS consolidated group.

For financial reporting purposes, U.S. Cellular computes federal income taxes as if it was filing a separate return as its own affiliated group and was not included in the TDS group.

Cumulative Effect of Accounting Change

Effective January 1, 2003, U.S. Cellular adopted SFAS No.143 Accounting for Asset Retirement Obligations and recorded the initial liability for legal obligations associated with an asset retirement. The cumulative effect of the implementation of this accounting standard on periods prior to 2003 was recorded in the first quarter of 2003, decreasing net income by $14.3 million, net of tax and minority interest, or $0.17 per basic and diluted share.

Net Income

Net income increased $46.4 million, to $68.5 million in 2004 from $22.1 million in 2003. *Diluted earnings per share* was $0.79 in 2004 and $0.26 in 2003.

Three Months Ended September 30, 2004 Compared to Three Months Ended September 30, 2003

As discussed previously, pursuant to its revised accounting for leases, U.S. Cellular recorded out-of-period adjustments to operating revenues and operating expenses during the third quarter of 2004. The adjustments were not considered material to the current year or any prior years earnings, earnings trends or individual financial statement line items. The adjustments were recorded in the current quarter ended September 30, 2004, and no prior periods were adjusted. The impact of the out-of-period adjustments on the affected line items in U.S. Cellular s consolidated Statement of Operations is as follows:

Increase (Decrease)	Three Months Ended September 30, 2004
(Dollars in thousands, expect per share amounts)	
Service revenues - long-distance and other	$ 980
Total operating revenues	980
System operations expenses	2,892
Selling, general and administrative expenses	1,848
Total operating expenses	4,740
Operating income	(3,760)
Net income	$ (2,256)
Basic earnings per share	$ (0.03)
Diluted earnings per share	$ (0.03)

Operating revenues increased $83.2 million, or 13%, to $748.2 million in the three months ended September 30, 2004 from $665.0 million in 2003.

	Three Months Ended September 30, 2004	2003 As Restated
	(Dollars in thousands)	
Retail service	$ 592,411	$ 521,247
Inbound roaming	48,402	59,638
Long-distance and other service revenues	51,151	47,555
Service Revenues	691,964	628,440
Equipment sales	56,249	36,536
	$ 748,213	$ 664,976

Retail service revenues increased $71.2 million, or 14%, to $592.4 million in 2004 from $521.2 million in 2003, primarily due to a 13% increase in U.S. Cellular s customer base and a 2% increase in average monthly retail service revenue per customer.

Inbound roaming revenue decreased $11.2 million, or 19%, to $48.4 million in 2004 from $59.6 million in 2003, for reasons generally the same as for the first nine months of 2004.

Long-distance and other service revenues increased $3.6 million, or 8%, to $51.2 million in 2004 from $47.6 million in 2003, for reasons generally the same as for the first nine months of 2004, including a $1.1 million adjustment to record straight-line lease revenue for certain lease arrangements with fixed rental increases (of which $1.0 million was out-of-period revenue).

Equipment sales revenue increased $19.7 million, or 54%, to $56.2 million in 2004 from $36.5 million in 2003. The increase was primarily due to the 32% increase in gross customer activations as well as an increase in handsets sold to customers for retention purposes.

Operating expenses increased $136.8 million, or 24%, to $706.2 million in 2004 from $569.4 million in 2003.

	Three Months Ended September 30,	
	2004	2003 As Restated
	(Dollars in thousands)	
System operations (exclusive of depreciation included below)	$ 154,126	$ 153,724
Cost of equipment sold	126,659	76,926
Selling, general and administrative	298,011	236,573
Depreciation	115,377	90,171
Amortization and accretion	12,031	13,463
(Gain) loss on assets of operations held for sale		(1,442)
	$ 706,204	$ 569,415

System operations expenses (excluding depreciation) increased $0.4 million, or less than 1%, to $154.1 million in 2004 from $153.7 million in 2003. The effects of several offsetting factors, which were generally the same factors that affected system operations expense in the first nine months of 2004, resulted in a slight net increase in expense during the third quarter of 2004. The effects of those same offsetting factors, including a $3.2 million adjustment to record straight-line lease expense for certain lease arrangements with fixed rental increases (of which $2.9 million was an out-of-period expense), resulted in a slight decrease in expense during the third quarter of 2004.

Cost of equipment sold increased $49.8 million, or 65%, to $126.7 million in 2004 from $76.9 million in 2003. The increase was due to the 32% increase in gross customer activations in 2004 as well as an increase in handsets sold to customers for retention purposes. In addition, the overall cost per handset increased in the third quarter of 2004 as more customers purchased higher priced, data-enabled handsets.

Selling, general and administrative expenses increased $61.4 million, or 26%, to $298.0 million in 2004 from $236.6 million in 2003. Gross customer activations increased 32% in the third quarter of 2004 compared to the same period in 2003 and the number of customers increased 13% at September 30, 2004 compared to September 30, 2003.

The increase in selling, general and administrative expenses is comprised of the following components:

- an $11.9 million increase in advertising costs, primarily related to the marketing of the U.S. Cellular brand in the Chicago market and in the markets which were launched in the third quarter of 2004, and the marketing of U.S. Cellular s data-related wireless services, which were launched late in the third quarter of 2003;
- a $16.2 million increase in employee and agent commissions and other payments made to agents for the activation and retention of customers, primarily driven by the increases in gross customer activations and customer retention transactions;
- a $7.9 million increase in bad debt expense, primarily attributable to the increase in operating revenues and the increase in writeoffs of accounts receivable considered uncollectible in 2004;
- a $7.1 million increase in expenses related to payments into the federal universal service fund, primarily driven by the increase in retail service revenues, upon which payments into the fund are based; most of these expenses are offset by increases in retail service revenues for amounts passed through to customers; and
- an adjustment of $2.0 million to record straight-line lease expense in the third quarter of 2004 for certain lease arrangements with fixed rental increases (of which $1.8 million was an out-of-period expense).

The increase was also attributable to the increase in employee-related expenses associated with acquiring, serving and retaining customers, primarily as a result of the increase in U.S. Cellular s customer base.

Sales and marketing cost per gross customer activation increased 1% to $410 in 2004 from $405 in 2003, primarily due to increased handset subsidies. Below is a summary of sales and marketing cost per gross customer activation for each period.

	Three Months Ended September 30,	
	2004	2003 As Restated
	(Dollars in thousands, except per customer amounts)	
Components of cost:		
Selling, general and administrative expenses related to the acquisition of new customers (1)	$ 132,229	$ 101,589
Cost of equipment sold to new customers (2)	86,762	53,383
Less equipment sales revenue from new customers (3)	(60,484)	(36,006)
Total costs	$ 158,507	$ 118,966
Gross customer activations (000s) (4)	387	294
Sales and marketing cost per gross customer activation	$ 410	$ 405

(1) Selling, general and administrative expenses related to the acquisition of new customers is reconciled to total selling, general and administrative expenses as follows:

	Three Months Ended September 30,	
	2004	2003 As Restated
	(Dollars in thousands)	
Selling, general and administrative expenses, as reported	$ 298,011	$ 236,573
Less expenses related to serving and retaining customers	(165,782)	(134,984)
Selling, general and administrative expenses related to the acquisition of new customers	$ 132,229	$ 101,589

(2) Cost of equipment sold to new customers is reconciled to cost of equipment sold as follows:

	Three Months Ended September 30,	
	2004	2003 As Restated
	(Dollars in thousands)	
Cost of equipment sold as reported	$ 126,659	$ 76,926
Less cost of equipment sold related to the retention of existing customers	(39,897)	(23,543)
Cost of equipment sold to new customers	$ 86,762	$ 53,383

(3) Equipment sales revenue from new customers is reconciled to equipment sales revenues as follows:

Three Months Ended September 30,

	2004	2003 As Restated
	(Dollars in thousands)	
Equipment sales revenue as reported	$ 56,249	$ 36,536
Less equipment sales revenues related to the retention of existing customers, excluding agent rebates *	(9,093)	(7,633)
Add agent rebate reductions of equipment sales revenues related to the retention of existing customers	13,328	7,103
Equipment sales revenues from new customers	$ 60,484	$ 36,006

* In 2003, equipment sales revenues related to retaining current customers were recorded in selling, general and administrative expenses as a reduction of the cost of equipment sold to retain current customers. In order to conform the operating results for 2003 for which these revenues were recorded in selling, general and administrative expenses to the current period presentation, U.S. Cellular reclassified revenues related to the sales of equipment to existing customers as equipment sales revenues.

(4) Gross customer activations represent customers added to U.S. Cellular's customer base through its marketing distribution channels, including customers added through third party resellers, during the respective periods presented.

Monthly general and administrative expenses per customer, including the net costs related to the renewal or upgrade of service contracts of existing U.S. Cellular customers ("net customer retention costs"), increased 19% to $14.71 in 2004 from $12.33 in 2003. This measurement is reconciled to total selling, general and administrative expenses as follows:

	Three Months Ended September 30,	
	2004	2003 As Restated
	(Dollars in thousands except per customer amounts)	
Components of cost (1)		
Selling, general and administrative expenses as reported	$ 298,011	$ 236,573
Less selling, general and administrative expenses related to the acquisition of new customers	(132,229)	(101,589)
Add cost of equipment sold related to the retention of existing customers	39,897	23,543
Less equipment sales revenues related to the retention of existing customers, excluding agent rebates	(9,093)	(7,633)
Add agent rebate reductions of equipment sales revenues related to the retention of existing customers	13,328	7,103
Net cost of serving and retaining customers	$ 209,914	$ 157,997
Divided by average customers during period (000s) (2)	4,757	4,271
Divided by three months in each period	3	3
Average monthly general and administrative expenses per customer	$ 14.71	$ 12.33

(1) These components were previously identified in the table which calculates sales and marketing cost per customer activation and related footnotes.

(2) Average customers for the three month periods were derived in a manner similar to the average customers definition used in footnote 4 to the table of summarized operating data.

Depreciation expense increased $25.2 million, or 28%, to $115.4 million in 2004 from $90.2 million in 2003, for reasons generally the same as for the first nine months of 2004. Average fixed asset balances increased 12% in 2004.

Amortization and accretion expense decreased $1.5 million, or 11%, to $12.0 million in 2004 from $13.5 million in 2003, for reasons generally the same as for the first nine months of 2004.

(Gain) loss on assets of operations held for sale totaled a gain of $(1.4) million in 2003. This amount was a reduction of the Loss on assets of operations held for sale on the exchange of wireless properties in Georgia and Florida with AT&T Wireless in August 2003.

Operating income decreased $53.6 million, or 56%, to $42.0 million in 2004 from $95.6 million in 2003; operating income margins (as a percent of service revenues) totaled 6.1% in 2004 and 15.2% in 2003.

Investment and other (expense) totaled expense of $(7.1) million in 2004 and $(3.3) million in 2003. Investment income increased $8.0 million, or 70%, to $19.3 million in 2004 from $11.3 million in 2003 as U.S. Cellular s share of net income from markets managed by others that are accounted for by the equity method increased. Interest expense increased $8.1 million, or 52%, to $23.7 million in 2004 from $15.6 million in 2003, as U.S. Cellular replaced its short-term, lower interest rate borrowings under the revolving credit facility with long-term, higher interest rate debt in December 2003 and June 2004.

Income tax expense decreased $24.4 million to $11.6 million in 2004 from $36.0 million in 2003 primarily due to lower pretax income. In addition, in 2004, U.S. Cellular recorded income tax benefits of $6.0 million primarily resulting from the substantial completion of the audit of TDS s consolidated federal income tax returns for 1997 through 2001. U.S. Cellular and its subsidiaries are included in the TDS consolidated group. Further, U.S. Cellular recorded income tax expense of $3.3 million related to the pending sale of certain assets to ALLTEL. The effective tax rate was 33.4% in 2004 and was 39.1% in 2003 including the effect of tax expense on the pending sale of assets. Excluding the tax expense of the pending sale, the effective tax rate on operations was 24.0% in 2004 and 40.3% in 2003, reflecting the tax benefits from the federal income tax audit in 2004. For further analysis and discussion of U.S. Cellular s effective tax rates in 2004 and 2003, see Note 4 Income Taxes.

Net income decreased $30.3 million, or 59%, to $21.3 million in 2004 from $51.6 million in 2003. *Diluted earnings per share* totaled $0.25 in 2004 and $0.59 in 2003.

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RECENT ACCOUNTING PRONOUNCEMENTS

Earnings Per Share

In March 2004, the Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings per Share. EITF 03-6 clarifies what constitutes a participating security and provides further guidance in applying the two-class method of calculating earnings per share. The consensuses reached by the Task Force in this Issue were ratified by the FASB on March 31, 2004, and are effective for reporting periods beginning after March 31, 2004. U.S. Cellular has reviewed the issue and concluded that it has no participating securities as defined by EITF Issue No. 03-6.

FINANCIAL RESOURCES

U.S. Cellular operates a capital- and marketing-intensive business. In recent years, U.S. Cellular has generated cash from its operations, received cash proceeds from divestitures, used its short-term credit facilities and used long-term debt financing to fund its network construction costs and operating expenses. U.S. Cellular anticipates further increases in wireless customers, revenues, operating expenses, cash flows from operating activities and fixed asset additions in the future. Cash flows may fluctuate from quarter to quarter depending on the seasonality of each of these growth factors. Following is a summary of cash flow activities:

	Nine Months Ended September 30,	
	2004 As Restated	2003 As Restated
	(Dollars in thousands)	
Cash flows from (used in)		
Operating activities	$ 315,758	$ 422,052
Investing activities	(315,528)	(386,269)

Financing activities	20,639	(28,702)
Net increase in cash and cash equivalents	$ 20,869	$ 7,081

Cash Flows from Operating Activities
U.S. Cellular generates substantial internal funds from operations. Cash flows from operating activities provided $315.8 million in the first nine months of 2004 compared to $422.1 million in the same period of 2003. Income including adjustments to reconcile net income to net cash provided by operating activities, excluding changes in assets and liabilities from operations (noncash items) totaled $381.7 million in 2004 and $438.9 million in 2003. Included in the adjustments to reconcile net income to net cash provided by operating activities in 2004 is a deduction for the payment of $68.1 million of accreted interest on the repayment of U.S. Cellular's Liquid Yield Option Notes. Changes in assets and liabilities from operations required $65.9 million in 2004 and $16.8 million in 2003, reflecting timing differences in the payment of accounts payable and accrued taxes and the receipt of accounts receivable.

The following table is a summary of the components of cash flows from operating activities:

	Nine Months Ended September 30,	
	2004 As Restated	2003 As Restated
	(Dollars in thousands)	
Net income	$ 68,525	$ 22,094
Adjustments to reconcile net income to net cash provided by operating activities	313,177	416,764
	381,702	438,858
Changes in assets and liabilities	(65,944)	(16,806)
	$ 315,758	$ 422,052

Cash Flows from Investing Activities
U.S. Cellular makes substantial investments each year to acquire, construct, operate and upgrade modern high-quality wireless networks and facilities as a basis for creating long-term value for shareowners. In recent years, rapid changes in technology and new opportunities have required substantial investments in revenue enhancing upgrades to U.S. Cellular s networks. Cash flows used for investing activities required $315.5 million in the first nine months of 2004 compared to $386.3 million in the same period of 2003.

Cash required for property, plant and equipment and system development expenditures totaled $394.8 million in 2004 and $439.1 million in 2003. In both periods, these expenditures were financed primarily with internally generated cash and borrowings from U.S. Cellular s revolving credit facilities. These expenditures primarily represent the construction of 662 and 384 cell sites in 2004 and 2003, respectively, as well as other plant additions and costs related to the development of U.S. Cellular s office systems. In 2004 and 2003, these plant additions included approximately $12 million and $47 million, respectively, for the migration to a single digital equipment platform. In both periods, other plant additions included significant amounts related to the replacement of retired assets. In 2003, significant amounts were added to plant under construction as certain markets prepared to migrate to a single digital equipment platform and other markets prepared for their launches in late 2003 and 2004. As a result, certain cash expenditures for property, plant and equipment in the first nine months of 2003 related to cell sites that were added to the network during a later period.

In 2004, net cash received from the sale of wireless properties in southern Texas to AT&T Wireless totaled $96.9 million. Cash paid for the acquisition of certain minority wireless interests in several wireless markets in which U.S. Cellular already owned a controlling interest totaled $40.4 million in 2004. Proceeds from the exchange transaction with AT&T Wireless totaled $34.0 million in 2003. See Acquisitions, Exchanges and Divestitures in the Liquidity and Capital Resources section for more information on these transactions.

Cash distributions from wireless entities in which U.S. Cellular has an interest provided $23.3 million in 2004 and $21.2 million in 2003.

Cash Flows from Financing Activities

Cash flows from financing activities provided $20.6 million in the first nine months of 2004 and required $28.7 million in the same period of 2003. Issuances of $330 million of 7.5% senior notes and $100 million of 6.7% senior notes provided net proceeds of $412.5 million in 2004. U.S. Cellular did not issue any long-term debt in the first nine months of 2003. In 2004, U.S. Cellular repaid the $105.0 million Intercompany Note to TDS, which was financed using its revolving credit facility; repaid all $163.3 million of its outstanding Liquid Yield Option Notes, using the proceeds from the 6.7% senior notes and the proceeds of the 7.5% notes; and repaid all $250.0 million of its 7.25% senior notes, using the balance of the net proceeds of the 7.5% notes together with borrowings under the revolving credit agreement. The Liquid Yield Option Notes redemption included the repayment of the principal amount of the original debt of $95.2 million, presented as an item reducing cash outflow from financing activities, and the payment of $68.1 million of accreted interest, presented as an item reducing cash outflow from operating activities. In 2003, U.S. Cellular repurchased and cancelled the remaining $45.2 million of 9% Series A Notes from PrimeCo Wireless Communications LLC, related to U.S. Cellular s acquisition of the Chicago market, for $40.7 million. The repurchase was financed using U.S. Cellular s revolving credit facility. Cash received from short-term borrowings under U.S. Cellular s revolving credit agreement provided $355.0 million in 2004. Repayments of short-term borrowings required $300.0 million in 2004. In 2003, short-term borrowings under U.S. Cellular s revolving credit agreements provided $279.3 million while repayments required $269.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Management believes that internal cash flow, existing cash and cash equivalents, and funds available from line of credit arrangements provide substantial financial flexibility for U.S. Cellular to meet both its short- and long-term needs. U.S. Cellular also may have access to public and private capital markets to help meet its long-term financing needs. U.S. Cellular anticipates issuing debt and equity securities only when capital requirements (including acquisitions), financial market conditions and other factors warrant, as was the case in the second quarter of 2004 when it issued $430 million of new long-term debt financing in order to redeem shorter term debt in the third quarter of 2004.

However, the availability of financial resources is dependent on economic events, business developments, technological changes, financial conditions or other factors, many of which are not in U.S. Cellular s control. If at any time financing is not available on terms acceptable to U.S. Cellular, it might be required to reduce its business development and capital expenditure plans, which could have a materially adverse effect on its business and financial condition. U.S. Cellular does not believe that any circumstances that could materially adversely affect U.S. Cellular s liquidity or capital resources are currently reasonably likely to occur, but it cannot provide assurances that such circumstances will not occur or that they will not occur rapidly. Economic downturns, changes in financial markets or other factors could rapidly change the availability of U.S. Cellular s liquidity and capital resources. Uncertainty of access to capital for telecommunications companies, deterioration in the capital markets, other changes in market conditions or

other factors could limit or restrict the availability of financing on terms and prices acceptable to U.S. Cellular, which could require U.S. Cellular to reduce its construction, development and acquisition programs.

U.S. Cellular generates substantial cash from its operations and anticipates financing all of its 2004 obligations with internally generated cash and with short- and long-term debt as the timing of such expenditures warrants. U.S. Cellular had $30.7 million of cash and cash equivalents at September 30, 2004.

Revolving Credit Facilities

U.S. Cellular has a $700 million revolving credit facility for general corporate purposes. At September 30, 2004, this line of credit had $644.8 million available for use, net of borrowings of $55.0 million and outstanding letters of credit of $0.2 million. This credit facility expires in June 2007. Borrowings bear interest at the LIBOR rate plus a margin percentage, based on U.S. Cellular s credit rating. The margin percentage was 55 basis points as of September 30, 2004 (for a rate of 2.39% based on the one month LIBOR rate at September 30, 2004).

U.S. Cellular s interest cost on its line of credit would increase if its current credit ratings from either Standard & Poor s or Moody s were lowered, which would increase its cost of financing. However, the line of credit would not cease to be available solely as a result of a decline in its credit rating. On October 15, 2004, Fitch Ratings issued a press release announcing that the credit rating of U.S. Cellular had been lowered to BBB+ with a Stable Outlook, from A- with a Negative Outlook. Standard & Poor s currently rates U.S. Cellular at A- with a Negative Outlook. Moody s currently rates U.S. Cellular at Baa1, with a Negative Outlook.

U.S. Cellular s credit facility would accelerate in the event of a change in control.

The continued availability of this revolving line of credit requires U.S. Cellular to comply with certain negative and affirmative covenants, maintain certain financial ratios and to represent certain matters at the time of each borrowing.

On May 14, 2004, U.S. Cellular filed a Form 10-K/A to restate its financial statements for the years ended December 31, 2003 and 2002 and for the interim periods for such years. The restatements resulted in a default under the revolving credit agreement between U.S. Cellular and certain lenders. U.S. Cellular did not fail to make any scheduled payment of principal or interest under such revolving credit agreement. U.S. Cellular received waivers from the lenders under which the lenders agreed to waive any defaults that may have occurred as a result of the restatements.

As disclosed in Note 2, U.S. Cellular has restated the Consolidated Financial Statements as of and for the nine months ended September 30, 2004. The restatement resulted in defaults under the revolving credit agreement between U.S. Cellular and certain lenders. U.S. Cellular was not in violation of any covenants that require U.S. Cellular to maintain certain financial ratios. U.S. Cellular did not fail to make any scheduled payments under such revolving credit agreement. U.S. Cellular received waivers from the lenders associated with the revolving credit agreement under which the lenders agreed to waive any defaults that may have occurred as a result of the restatement. As of the date of filing of this Form 10-Q/A, U.S. Cellular is in compliance with all covenants and other requirements set forth in the revolving credit agreement.

Long-Term Debt

On May 25, 2004, U.S. Cellular filed with the SEC a shelf registration statement on Form S-3 to register the issuance from time to time of up to $500 million of senior debt securities. This registration statement became effective on June 2, 2004.

As of June 17, 2004, U.S. Cellular issued $330 million in aggregate principal amount of unsecured 7.5% senior notes due June 15, 2034 under this registration statement. The estimated net proceeds from this offering, after deducting underwriting discounts, were approximately $319.6 million.

Also, on June 28, 2004, U.S. Cellular issued $100 million in aggregate principal amount of unsecured 6.7% senior notes due December 15, 2033 priced to yield 7.21% to maturity under this registration statement. The net proceeds from this offering, after deducting underwriting discounts, were approximately $92.9 million. This was a further issuance of U.S. Cellular s 6.7% notes that were issued on December 8, 2003 in the aggregate principal amount of $444 million.

The total net proceeds from the 7.5% and 6.7% senior note offerings, after deducting underwriting discounts, were approximately $412.5 million. Of this amount, $163.3 million was used to redeem U.S. Cellular s Liquid Yield Option Notes on July 26, 2004 at accreted value. The balance of the net proceeds, together with borrowings under the revolving credit agreement, was used to redeem all $250 million of U.S. Cellular s 7.25% senior notes on August 16, 2004. No gain or loss was recognized as a result of such redemptions. However, U.S. Cellular wrote off $3.6 million of deferred debt expenses to Other income (expense), net in the Statement of Operations in the third quarter of 2004 related to the redemption of long-term debt.

As of the date of filing of this Form 10-Q/A, U.S. Cellular is in compliance with all covenants and other requirements set forth in its long-term debt indentures. U.S. Cellular does not have any rating downgrade triggers that would accelerate the maturity dates of its debt. However, a downgrade in U.S. Cellular s credit rating could adversely affect its ability to renew existing, or obtain access to new, credit facilities in the future.

Marketable Equity Securities and Forward Contracts

U.S. Cellular and its subsidiaries hold a substantial amount of marketable equity securities that are publicly traded and can have volatile share prices. U.S. Cellular and its subsidiaries do not make direct investments in publicly traded companies and all of these interests were acquired as a result of sales, trades or reorganizations of other assets.The investment in Vodafone Group Plc (Vodafone) resulted from certain dispositions of non-strategic cellular investments to or settlements with AirTouch Communications, Inc. (AirTouch), in exchange for stock of AirTouch, which was then acquired by Vodafone whereby U.S. Cellular received American Depositary Receipts representing Vodafone stock. The investment in Rural Cellular Corporation (Rural Cellular) is the result of a consolidation of several cellular partnerships in which U.S. Cellular subsidiaries held interests into Rural Cellular, and the distribution of Rural Cellular stock in exchange for these interests. A contributing factor in U.S. Cellular s decision not to dispose of the investments is that their tax basis is significantly lower compared to current stock prices, and therefore would trigger a substantial taxable gain upon disposition.

A subsidiary of U.S. Cellular has entered into a number of variable prepaid forward contracts (forward contracts) with counterparties related to the marketable equity securities that it holds. The forward contracts mature in May 2007 and, at U.S. Cellular s option, may be settled in shares of the respective security or cash. U.S. Cellular has provided guarantees to the counterparties which provide assurance that all principal and interest amounts will be paid upon settlement of the contracts by its subsidiary. If shares are delivered in the settlement of the forward contract, U.S. Cellular would incur a current tax liability at the time of delivery based on the difference between the tax basis of the marketable equity securities delivered and the net amount realized through maturity. Deferred taxes have been provided for the difference between the financial reporting basis and the income tax basis of the marketable equity securities and are included in deferred tax liabilities on the Balance Sheet. As of September 30, 2004, such deferred tax liabilities totaled $79.2 million.

U.S. Cellular is required to comply with certain covenants under the forward contracts.

On May 14, 2004, U.S. Cellular filed a Form 10-K/A to restate its financial statements for the years ended December 31, 2003 and 2002 and for the interim periods for such years. The restatements resulted in defaults under certain of the forward contracts with one counterparty. U.S. Cellular did not fail to make any scheduled payments under any of the forward contracts. U.S. Cellular received waivers from the counterparty to such forward contracts, as required, under which the counterparty agreed to waive any defaults that may have occurred as a result of the restatements.

As disclosed in Note 2, U.S. Cellular has restated the Consolidated Financial Statements as of and for the nine months ended September 30, 2004. The restatement resulted in defaults under certain of the forward contracts with one counterparty. U.S. Cellular was not in violation of any covenants that require U.S. Cellular to maintain certain financial ratios. U.S. Cellular did not fail to make any scheduled payments under any of the forward contracts. U.S. Cellular received waivers from the counterparty to such forward contracts under which the counterparty agreed to waive any defaults that may have occurred as a result of the restatement.

As of the date of filing of this Form 10-Q/A, U.S. Cellular is in compliance with all covenants and other requirements set forth in the forward contracts.

Capital Expenditures

Anticipated capital expenditures for 2004 primarily reflect U.S. Cellular s plans for construction, system and capacity expansion, the buildout of certain of its licensed areas and additional expenditures related to its plans to migrate to a single digital equipment platform. U.S. Cellular plans to finance its construction program using internally generated cash and short-term and long-term financing. U.S. Cellular s estimated capital spending for 2004 is $655 million to $670 million. U.S. Cellular s capital expenditures for the nine months ended September 30, 2004 totaled $394.8 million.

U.S. Cellular s 2004 capital expenditures will primarily address the following needs:

- Expand and enhance U.S. Cellular's coverage in its service areas.
- Provide additional capacity to accommodate increased network usage by current customers.
- Build out certain licensed areas acquired in 2001, 2002 and 2003.
- Complete U.S. Cellular s migration toward making a common digital equipment platform, CDMA 1XRTT, available to customers, from a prior mixture of older CDMA and TDMA technology.
- Enhance U.S. Cellular's retail store network and office systems.

U.S. Cellular s overlay of existing technologies with CDMA 1XRTT is largely completed, and when the project is fully completed, it anticipates total expenditures related to the project over three years to be no more than $300 million. U.S. Cellular has spent $12 million on the project in 2004. U.S. Cellular plans to utilize CDMA 1XRTT technology in building out the licenses it has acquired and expects to acquire in the future from AT&T Wireless.

U.S. Cellular expects capital expenditures related to the buildout of the licensed areas it acquired in 2001 through 2003 to be substantial. U.S. Cellular plans to build networks to serve these licensed areas and launch commercial service in these areas over the next several years. Approximately $100 million of the estimated capital spending for 2004 is allocated to the buildout of certain of these licenses, and U.S. Cellular expects a significant portion of its capital spending over the next few years to be related to the buildout of its wireless licensed areas.

Repurchase of Securities

U.S. Cellular s primary repurchase program expired in December 2003. However, U.S. Cellular has an ongoing authorization to repurchase a limited amount of U.S. Cellular Common Shares on a quarterly basis, primarily for use in employee benefit plans. In the nine months ended September 30, 2004, U.S. Cellular repurchased 5,100 U.S. Cellular Common Shares under this authorization for an aggregate purchase price of $204,000, representing an average per share price of $40.04 including commissions. No U.S. Cellular Common Shares were repurchased in 2003.

Contractual and Other Obligations

Except as described below, there has been no material change in the resources required for scheduled repayment of contractual obligations from the table of Contractual Obligations included in Management s Discussion and Analysis of Results of Operations and Financial Condition included in U.S. Cellular s Annual Report on Form 10-K for the year ended December 31, 2003, as amended.

Subsequent to December 31, 2003, U.S. Cellular issued $330 million in aggregate principal amount of unsecured 7.5% senior notes due 2034 and an additional $100 million of its unsecured 6.7% senior notes due 2033 in June 2004. The total net proceeds from these offerings, after deducting underwriting discounts, were approximately $412.5 million. Of this amount, approximately $163.3 million was used to redeem U.S. Cellular s Liquid Yield Option Notes on July 26, 2004 at accreted value. The balance of the net proceeds together with borrowings under the revolving credit agreement were used to redeem all $250 million of U.S. Cellular s 7.25% senior notes on August 16, 2004.

The following table shows the increases and decreases in contractual obligations, as presented in the Annual Report on Form 10-K for the year ended December 31, 2003, as amended, as a result of the debt transactions described above:

	Increase (Decrease) to Payments Due by Period				
(Dollars in millions)	Total	Less than 1 Year	2 - 3 Years	4 - 5 Years	More than 5 Years
Long-Term Debt Additions:					
7.5% senior notes due 2034 (1)	$ 330.0	$	$	$	$ 330.0
6.7% senior notes due 2033 (2)	100.0				100.0
Total long-term debt additions	$ 430.0	$	$	$	$ 430.0
Long-Term Debt Redemptions:					
6% zero coupon convertible redeemable debentures (3)	$ (163.3)	$	$	$	$ (163.3)
7.25% senior notes due 2007 (4)	(250.0)			(250.0)	
Total long-term debt redemptions	$ (413.3)	$	$	$ (250.0)	$ (163.3)

(1) Issuance date was as of June 17, 2004.
(2) Issuance date was June 28, 2004.
(3) Redemption date was July 26, 2004.
(4) Redemption date was August 16, 2004.

As a result of the substantial completion of federal and state income tax audits, U.S. Cellular has reclassified approximately $56 million from Deferred liabilities and credits - Other to Accrued taxes and expects to make payments during the next twelve months with respect to these accrued taxes. U.S. Cellular expects to make these payments with a combination of cash on hand and a draw down on its revolving credit facility.

Off-Balance Sheet Arrangements

U.S. Cellular has no transactions, agreements or contractual arrangements with unconsolidated entities involving off-balance sheet arrangements, as defined by SEC rules, that have or are reasonably likely to have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, revenues or expenses.

U.S. Cellular has certain variable interests in investments in unconsolidated entities where U.S. Cellular holds a minority interest. The investments in unconsolidated entities totaled $171.7 million as of September 30, 2004 and are accounted for using either the equity or cost method. U.S. Cellular s maximum loss exposure for these variable interests is limited to the aggregate carrying amount of the investments.

Indemnities

U.S. Cellular enters into agreements in the normal course of business that provide for indemnification of counterparties. These include certain asset sales and financings with other parties. The term of the indemnification varies by agreement. The events or circumstances that would require U.S. Cellular to perform under these indemnities are transaction specific; however these agreements may require U.S. Cellular to indemnify the counterparty for costs and losses incurred from litigation or claims arising from the underlying transaction. U.S. Cellular is unable to estimate the maximum potential liability for these types of indemnifications as the amounts are dependent on the outcome of future events, the nature and likelihood of which cannot be determined at this time. Historically, U.S. Cellular has not made any significant indemnification payments under such agreements.

Acquisitions, Exchanges and Divestitures

U.S. Cellular assesses its wireless holdings on an ongoing basis in order to maximize the benefits derived from its operating markets. U.S. Cellular also reviews attractive opportunities for the acquisition of additional wireless spectrum. As part of this strategy, U.S. Cellular may from time-to-time be engaged in negotiations relating to the acquisition of companies, strategic properties or wireless spectrum. U.S. Cellular may participate as a bidder, or member of a bidding group, in auctions administered by the FCC, including Auction 58, which is scheduled to take place in the first part of 2005. Recently, U.S. Cellular has been selling or trading those markets that are not strategic to its long-term success and redeploying capital to more strategically important parts of the business. As part of this strategy, U.S. Cellular may from time-to-time be engaged in negotiations relating to the disposition of other non-strategic properties.

2004 Activity

On September 23, 2004, U.S. Cellular announced that it had entered into a definitive agreement to sell its Daytona Beach, Florida 20 MHz C block personal communications service license to MetroPCS for approximately $8.5 million. The transaction is expected to close in the fourth quarter of 2004. U.S. Cellular does not expect to record a gain or loss as a result of this transaction. The Daytona Beach license has been reclassified to Assets of operations held for sale as of September 30, 2004.

On August 4, 2004, U.S. Cellular announced that it had entered into a definitive agreement with ALLTEL Communications Inc. (ALLTEL) to sell certain wireless properties. U.S. Cellular will sell two consolidated properties and five minority interests to ALLTEL for approximately $80 million in cash, including repayment of debt and working capital that is subject to adjustment at closing. The closing of the transaction is expected to occur in the fourth quarter of 2004.

U.S. Cellular expects to record a pre-tax gain of approximately $35 million related to the ALLTEL transaction at the time of closing for the excess of the cash received over the net book value of the assets and liabilities sold, subject to a working capital adjustment. As a result of signing the definitive agreement for this transaction, U.S. Cellular reclassified the assets and liabilities of the properties to be transferred as Assets and Liabilities of operations held for sale as of September 30, 2004.

On February 18, 2004, U.S. Cellular completed the sale of certain of its wireless properties in southern Texas to AT&T Wireless for $96.9 million in cash, including a working capital adjustment. The U.S. Cellular markets sold to AT&T Wireless included wireless assets and customers in six cellular markets. An aggregate loss of $21.3 million (including a $22.0 million estimate of the Loss on assets of operations held for sale in the fourth quarter of 2003 and a $0.7 million reduction of the loss in the nine months ended September 30, 2004) was recorded as a Loss on assets of operations held for sale (included in operating expenses), representing the difference between the carrying value of the markets sold to AT&T Wireless and the cash received and expected to be received in the transaction.

In addition, in the first quarter of 2004, U.S. Cellular purchased certain minority interests in several wireless markets in which it already owned a controlling interest for $40.4 million in cash. These acquisitions increased investment in licenses, goodwill and customer lists by $2.7 million, $3.6 million and $12.9 million, respectively.

2003 Activity

On August 1, 2003, U.S. Cellular completed the transfer of wireless assets and customers in ten markets in Florida and Georgia to AT&T Wireless pursuant to an agreement entered into in March 2003. In return, U.S. Cellular received the following: a) rights to acquire controlling interests in 36 personal communication service licenses contiguous to and that overlap existing U.S. Cellular properties in 13 states in the Midwest and the Northeast; b) approximately $34 million in cash; and c) minority interests in six markets in which it previously owned a controlling interest. In accordance with the agreement, U.S. Cellular has deferred the assignment and development of 21 licenses for a period of up to five years from the closing date. U.S. Cellular will take possession of the licenses in staggered closings over that five-year period to comply with service requirements of the Federal Communications Commission (FCC). The value of these licenses is recorded as License rights on the Balance Sheet.

The acquisition of the licenses in the exchange was accounted for as a purchase by U.S. Cellular and the transfer of the properties by U.S. Cellular to AT&T Wireless was accounted for as a sale. A $23.6 million Loss on assets of operations held for sale (included in operating expenses) was recorded in the nine months ended September 30, 2003 representing the difference between the carrying value of the markets transferred to AT&T Wireless and the fair value of the consideration received or to be received in the transaction.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

U.S. Cellular prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). U.S. Cellular s significant accounting policies are discussed in detail in Note 1 to the consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2003, as amended.

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various other assumptions and information that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from estimates under different assumptions or conditions.

Management believes the following critical accounting estimates reflect its more significant judgments and estimates used in the preparation of its consolidated financial statements. U.S. Cellular s senior management has discussed the development and selection of each of the following accounting policies and estimates and the following disclosures with the audit committee of U.S. Cellular s board of directors.

Investment in Licenses and Goodwill

U.S. Cellular reported $1,184.0 million and $1,189.3 million of investment in Licenses and $425.3 million and $430.3 million of Goodwill, at September 30, 2004 and December 31, 2003, respectively, as a result of the acquisitions of wireless licenses and markets. As a result of transactions announced in the third quarter of 2004, $8.8 million of Investment in licenses and $8.3 million of Goodwill have been reclassified to Assets of operations held for sale. In addition, at the end of both periods, U.S. Cellular reported $42.0 million of License rights related to the licenses that will be received when the AT&T Wireless exchange transaction is fully completed.

Investments in licenses and goodwill must be reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. U.S. Cellular performs the annual impairment review on investment in licenses and goodwill during the second quarter. There can be no assurance that, upon review at a later date, material impairment charges will not be required.

The intangible asset impairment test consists of comparing the fair value of the intangible asset to the carrying amount of the intangible asset. If the carrying amount exceeds the fair value, an impairment loss is recognized for the difference. The goodwill impairment test is a two-step process. The first step compares the fair value of the reporting unit, as identified in accordance with SFAS No. 142, to its carrying value. If the carrying amount exceeds the fair value, the second step of the test is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. To calculate the implied fair value of goodwill, an enterprise allocates the fair value of the reporting unit to all of the assets and liabilities of that reporting unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value was the price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities of the reporting unit is the implied fair value of goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized for that difference.

The fair value of an intangible asset and reporting unit goodwill is the amount at which that asset or reporting unit could be bought or sold in a current transaction between willing parties. Therefore, quoted market prices in active markets are the best evidence of fair value and should be used when available. If quoted market prices are not available, the estimate of fair value is based on the best information available, including prices for similar assets and the use of other valuation techniques. Other valuation techniques include present value analysis, multiples of earnings or revenue or a similar performance measure. The use of these techniques involves assumptions by management about factors that are highly uncertain, including future cash flows, the appropriate discount rate and other inputs. Different assumptions for these inputs or different valuation methods could create materially different results.

U.S. Cellular tests goodwill for impairment at the level of reporting referred to as a reporting unit. U.S. Cellular has identified six reporting units pursuant to paragraph 30 of SFAS No. 142. The six reporting units represent six geographic groupings of FCC licenses, constituting six geographic service areas. U.S.

Cellular combines its FCC licenses into six units of accounting for purposes of testing the licenses for impairment pursuant to Emerging Issues Task Force Statement 02-7, Units of Accounting for Testing Impairment of Indefinite-Lived Assets (EITF 02-7) and SFAS No. 142, using the same geographic groupings as its reporting units.

In 2004 and 2003, U.S. Cellular prepared valuations of each of the reporting units for purposes of goodwill impairment testing. A discounted cash flow approach was used to value each of the reporting units, using value drivers and risks specific to each individual geographic region. The cash flow estimates incorporate assumptions that market participants would use in their estimates of fair value. Key assumptions made in this process were the selection of a discount rate, estimated future cash flow levels, projected capital expenditures, and selection of terminal values.

U.S. Cellular also prepared valuations of similar groupings of FCC licenses (units of accounting pursuant to EITF 02-7), using an excess earnings methodology, through the use of a discounted cash flow approach. This excess earnings methodology estimates the fair value of the intangible assets (FCC license units of accounting) by measuring the future cash flows of the license groups, reduced by charges for contributory assets such as working capital, trademarks, existing subscribers, fixed assets, assembled workforce and goodwill.

In the second quarter of 2004, U.S. Cellular recorded an additional $1.8 million impairment loss on its investment in the same non-operating market in Florida in which the license impairment loss was recorded in the first quarter of 2003. No other impairment losses were identified during the annual impairment testing in the second quarter of 2004, and no events have occurred since the testing was completed which have resulted in additional impairments.

In the first quarter of 2003 a license impairment loss was recorded related to U.S. Cellular s investment in a non-operational market in Florida remaining after the exchange with AT&T Wireless was completed. In the second quarter of 2003, U.S. Cellular recorded an impairment loss on its investment in licenses totaling $49.6 million in 2003 related to the impairment of two reporting units.

The changes in the carrying amounts of Licenses and License rights and Goodwill for the nine months ended September 30, 2004 were as follows:

	Licenses and License Rights	Goodwill
	(Dollars in thousands)	
Beginning Balance December 31, 2003	$ 1,231,363	$ 430,256
Acquisitions and divestitures	2,983	3,649
Impairments	(1,603)	--
Assets of operations held for sale (1)	(8,758)	(8,257)
Other adjustments	2,066	(305)
Ending Balance September 30, 2004	$ 1,226,051	$ 425,343

(1) As a result of the agreements with ALLTEL and MetroPCS as described more fully in Note 22 - Assets and Liabilities of Operations Held for Sale, $8.8 million of Investment in license and $8.3 million of Goodwill was reclassified to Assets of Operations Held for Sale.

Asset Retirement Obligations

SFAS No. 143, Accounting for Asset Retirement Obligations, became effective for U.S. Cellular beginning January 1, 2003. SFAS No. 143 requires entities to record the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to retire the asset and the liability recorded is recognized in the Statement of Operations as a gain or loss.

The calculation of the asset retirement obligation for U.S. Cellular is a critical accounting estimate because changing the factors used in calculating the obligation could result in larger or smaller estimated obligations that could have a significant impact on its results of operations and financial condition. Such factors may include probabilities or likelihood of remediation, cost estimates, lease renewals and salvage values. Actual results may differ materially from estimates under different assumptions or conditions.

U.S. Cellular is subject to asset retirement obligations associated primarily with its cell sites, retail sites and office locations. Asset retirement obligations include costs to remediate leased land on which U.S. Cellular s cell sites and switching offices are located. U.S. Cellular is also required to return lease retail store premises and office space to their pre-existing conditions.

U.S. Cellular determined that it had an obligation to remove long-lived assets in its cell sites, retail sites and office locations as described by SFAS 143. The change in asset retirement obligation during 2004 was as follows:

(Dollars in thousands)		
Beginning Balance December 31, 2003	$	64,501
Additional liabilities accrued		3,089
Accretion expense		3,713
Liabilities of operations held for sale (1)		(430)
Disposition of assets (2)		(1,635)
Ending Balance September 30, 2004	$	69,238

(1) As a result of the agreements with ALLTEL, as described more fully in Note 22 Assets and Liabilities of Operations Held for Sale, $430,000 of Asset retirement obligations recorded at U.S. Cellular were reclassified to Liabilities of Operations Held for Sale.
(2) As a result of the sale of wireless properties to AT&T Wireless in February 2004, Asset retirement obligations associated with these properties are no longer obligations of U.S. Cellular.

Income Taxes

The accounting for income taxes, the amounts of income tax assets and liabilities and the related income tax provision are critical accounting estimates because such amounts are significant to U.S. Cellular s financial condition, changes in financial condition and results of operations.

The preparation of the consolidated financial statements requires U.S. Cellular to calculate its provision for income taxes. This process involves estimating the actual current income tax liability together with assessing temporary differences resulting from the different treatment of items, such as depreciation expense, for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities, which are included in U.S. Cellular s consolidated Balance Sheet. U.S. Cellular must then assess the likelihood that deferred tax assets will be recovered from future taxable income, and, to the extent management believes that recovery is not likely, establish a valuation allowance. Management s judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. U.S. Cellular s current net deferred tax asset totaled $19.2 million, and $16.8 million, as of September 30, 2004 and December 31, 2003, respectively. The net current deferred tax asset primarily represents the deferred tax effects of the allowance for doubtful accounts on accounts receivable, and is included in Other current assets on the Balance Sheet.

The temporary differences that gave rise to the noncurrent deferred tax assets and liabilities as of December 31, 2003 and September 30, 2004 are as follows:

(Dollars in thousands)		September 30, 2004		December 31, 2003
Deferred Tax Asset				
Net operating loss carryforwards	$	67,336	$	30,671
Derivative instruments		17,604		22,015
Other		1,608		6,994
		86,548		59,680
Less valuation allowance		(6,796)		(10,480)
Total Deferred Tax Asset		79,752		49,200
Deferred Tax Liability				
Property, plant and equipment		271,810		222,213
Licenses		233,453		206,129
Marketable equity securities		79,234		86,251
Partnership investments		47,121		30,511

Total Deferred Tax Liability		631,618		545,104
Net Deferred Income Tax Liability	$	551,866	$	495,904

The valuation allowance relates to state net operating loss carryforwards and the federal net operating loss carryforwards for those subsidiaries not included in the consolidated federal income tax return since it is more likely than not that a portion will expire before such carryforwards can be utilized.

The deferred income tax liability relating to marketable equity securities totaled $79.2 million, and $86.3 million, as of September 30, 2004 and December 31, 2003, respectively. These amounts represent deferred income taxes calculated on the difference between the book basis and the tax basis of the marketable equity securities. Income taxes will be payable when U.S. Cellular disposes of the marketable equity securities.

U.S. Cellular is routinely subject to examination of its income tax returns by the Internal Revenue Service (IRS) and other tax authorities. U.S. Cellular periodically assesses the likelihood of adjustments to its tax liabilities resulting from these examinations to determine the adequacy of its provision for income taxes, including related interest. Management judgment is required in assessing the eventual outcome of these examinations. Changes to such assessments affect the calculation of U.S. Cellular s income tax expense. The IRS has completed audits of U.S. Cellular s federal income tax returns (through its parent company TDS) for tax years through 1996. As of September 30, 2004, the IRS has substantially completed its examination of the consolidated federal income tax returns of TDS through 2001. Based on the results of the audit, U.S. Cellular reduced its accrual for audit contingencies by $6.0 million in the third quarter of 2004.

In the event of an increase in the value of tax assets or a decrease in tax liabilities, U.S. Cellular would decrease the income tax expense or increase the income tax benefit by an equivalent amount. In the event of a decrease in the value of tax assets or an increase in tax liabilities, U.S. Cellular would increase the income tax expense or decrease the income tax benefit by an equivalent amount.

Property, Plant and Equipment

U.S. Cellular provides for depreciation on its property, plant and equipment using the straight-line method over the estimated useful lives of the assets. Annually, U.S. Cellular reviews its property, plant and equipment to assess whether the estimated useful lives are appropriate. The estimated useful lives of property, plant and equipment is a critical accounting estimate because changing the lives of assets can result in larger or smaller charges for depreciation expense. Factors used in determining useful lives include technology changes, regulatory requirements, obsolescence and type of use.

In the first quarter of 2004, U.S. Cellular adjusted the useful lives of TDMA radio equipment, switch software and antenna equipment. TDMA radio equipment lives were adjusted to be fully depreciated by the end of 2008, which is the latest date the wireless industry will be required by regulation to support analog service. U.S. Cellular currently uses TDMA radio equipment to support analog service, and expects to have its digital radio network fully migrated to CDMA 1XRTT or some future generation of CDMA technology by that time. The useful lives for certain switch software was reduced to one year from three years and antenna equipment lives were reduced from eight years to seven years in order to better align the useful lives with the actual length of time the assets are in use. These changes increased depreciation by $2.2 million and $12.1 million for the three and nine months ended September 30, 2004, respectively, and was estimated to increase depreciation by $14.9 million for the full year 2004. The change in useful lives reduced net income by $1.3 million, or $0.02 per share in the three months ended September 30, 2004 and by $7.3 million, or $0.08 per share in the nine months ended September 30, 2004.

In the nine months ended September 30, 2004, certain TDMA digital radio equipment consigned to a third party for sale was written down by $11.3 million in conjunction with the consignment and sale of such equipment, increasing depreciation expense by that amount. This writedown was necessary to reduce the book value of the assets sold or to be sold to the proceeds received or to be received from their disposition.

In preparation for the implementation of a fixed asset management and tracking software system, including a bar code asset identification system, U.S. Cellular is conducting a physical inventory review of its cell site fixed assets. U.S. Cellular expects to complete the review in the fourth quarter of 2004. U.S. Cellular charged $4.0 million to depreciation expense for the estimated write-off in the second quarter of 2004.To the extent the final results differ from the $4.0 million already charged to expense, an adjustment would be required in the fourth quarter of 2004.

Contingencies, Guarantees, Indemnities and Commitments

Contingent obligations, including guarantees, indemnities, litigation and other possible commitments are accounted for in accordance with Statement of Financial Accounting Standard No. 5, Accounting for Contingencies, which requires that an estimated loss be recorded if it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accordingly, those contingencies that are deemed to be probable and where the amount of such settlement is reasonably estimable are accrued in the financial statements. If only a range of loss can be determined, the best estimate within that range is accrued; if none of the estimates within that range is better than another, the low end of the range is accrued. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred, even if the amount is not estimable. The assessment of contingencies is a highly subjective process that requires judgments about future events. Contingencies are reviewed at least quarterly to determine the adequacy of the accruals and related financial statement disclosure. The ultimate settlement of contingencies may differ materially from amounts accrued in the financial statements.

Assets and Liabilities of Operations Held for Sale

In connection with the definitive agreements with ALLTEL and MetroPCS described in Note 21, the consolidated Balance Sheet and supplemental data of U.S. Cellular as of September 30, 2004 reflect the assets and liabilities to be transferred as assets and liabilities of operations held for sale in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The results of operations of the markets to be transferred continue to be included in results of operations through the closings of the transactions.

Summarized assets and liabilities relating to operations held for sale are as follows:

	September 30, 2004	
(Dollars in thousands)		
Current assets	$	3,302
Licenses		8,758
Goodwill		8,257
Property, plant and equipment, net		10,010
Investment in unconsolidated entities		21,344
Other assets		252
Assets of operations held for sale	$	51,923
Current liabilities	$	1,796
Deferred credits		487
Liabilities of operations held for sale	$	2,283

U.S. Cellular expects to record a pre-tax gain of approximately $35 million related to the transaction with ALLTEL at the time of closing for the excess of the cash received over the net book value of the assets and liabilities sold, subject to a working capital adjustment. U.S. Cellular does not expect to record a gain or loss on the transaction with MetroPCS.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In August 2002, U.S. Cellular entered into a loan agreement with TDS (Intercompany Note) under which it borrowed $105 million, which was used for the Chicago market purchase. The loan bore interest at an annual rate of 8.1%, payable quarterly, and was due in August 2008, with prepayments optional. The terms of the loan did not contain covenants that are more restrictive than those included in U.S. Cellular s senior debt, except that, until December 19, 2003, the loan agreement provided that U.S. Cellular may not incur senior debt in an aggregate principal amount in excess of $325 million unless it obtained the consent of TDS as lender. U.S. Cellular s Board of Directors, including independent directors, approved the terms of this loan and determined that such terms were fair to U.S. Cellular and all of its shareholders. On February 9, 2004, U.S.

Cellular repaid this note in full.

U.S. Cellular is billed for all services it receives from TDS, pursuant to the terms of various agreements between it and TDS. The majority of these billings are included in U.S. Cellular s general and administrative expenses. Some of these agreements were established at a time prior to U.S. Cellular s initial public offering when TDS owned more than 90% of U.S. Cellular s outstanding capital stock and may not reflect terms that would be obtainable from an unrelated third party through arms-length negotiations. The principal arrangements that affect U.S. Cellular s operations are described in Item 13 of its Annual Report on Form 10-K for the year ended December 31, 2003, as amended. Management believes the method TDS uses to allocate common expenses is reasonable and that all expenses and costs applicable to U.S. Cellular are reflected in its financial statements on a basis which is representative of what they would have been if it operated on a stand-alone basis.

The following persons are partners of Sidley Austin Brown & Wood LLP, the principal law firm of U.S. Cellular and its subsidiaries: Walter C.D. Carlson, a director of U.S. Cellular, a director and non-executive Chairman of the Board of Directors of TDS and a trustee and beneficiary of a voting trust that controls TDS; William S. DeCarlo, the General Counsel of TDS and an Assistant Secretary of TDS and certain subsidiaries of TDS; and Stephen P. Fitzell, the General Counsel and an Assistant Secretary of U.S. Cellular and the General Counsel and/or Assistant Secretary of certain other subsidiaries of TDS. Walter C.D. Carlson does not provide legal services to TDS, U.S. Cellular or their subsidiaries.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995
SAFE HARBOR CAUTIONARY STATEMENT

This Management s Discussion and Analysis of Results of Operations and Financial Condition and other sections of this Annual Report to Shareholders contain statements that are not based on historical fact, including the words believes, anticipates, intends, expects, and similar words. These statements constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following risks:

- *Increases in the level of competition in the markets in which U.S. Cellular operates could adversely affect its revenues or increase its costs to compete.*
- *Consolidation in the wireless industry may create stronger competitors both operationally and financially which could adversely affect U.S. Cellular s revenues and increase its costs to compete.*
- *Advances or changes in telecommunications technology could render certain technologies used by U.S. Cellular obsolete, could reduce its revenues or could increase its cost of doing business.*
- *Changes in the telecommunications regulatory environment, or a failure to timely or fully comply with any regulatory requirements, such as wireless number portability and E-911 services, could adversely affect U.S. Cellular s financial condition or results of operations or ability to do business.*
- *Changes in U.S. Cellular s enterprise value, changes in the supply or demand of the market for wireless licenses, adverse developments in U.S. Cellular s business or the wireless industry and/or other factors could require U.S. Cellular to recognize impairments in the carrying value of U.S. Cellular s investment in licenses, goodwill and/or physical assets.*
- *Conversions of debt, early redemptions of debt or repurchases of debt, changes in prepaid forward contracts, operating leases, purchase obligations or other factors or developments could cause the amounts reported under Contractual Obligations in U.S. Cellular s Annual Report on Form 10-K for the year ended December 31, 2003, as amended, or its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 to be different from the amounts presented.*
- *Changes in accounting standards or U.S. Cellular s accounting policies, estimates and/or the assumptions underlying the accounting estimates, including those described under Application of Critical Accounting Policies and Estimates, could have a material effect on its financial condition, changes in financial condition and results of operations.*
- *Settlements, judgments, restraints on its current or future manner of doing business and/or legal costs resulting from pending or future litigation could have an adverse effect on U.S. Cellular s financial condition, results of operations or ability to do business.*
- *Costs, integration problems or other factors associated with acquisitions/divestitures of properties and or licenses could have an adverse effect on U.S. Cellular s financial condition or results of operations.*
- *Changes in prices, the number of wireless customers, average revenue per unit, penetration rates, churn rates, selling expenses and net customer retention costs associated with wireless number portability, roaming rates and the mix of products and services offered*

in wireless markets could have an adverse effect on U.S. Cellular s operations.

- *Changes in roaming partners rates, and the ability to provide voice and data services on other carriers networks could have an adverse effect on U.S. Cellular s operations.*
- *Changes in competitive factors with national and global wireless carriers could result in product and cost disadvantages and could have an adverse effect on U.S. Cellular s operations.*
- *Lack of standards and roaming agreements for wireless data products could place U.S. Cellular s data services offerings at a disadvantage to those offered by other wireless carriers with more nationwide service territories.*
- *Changes in guidance or interpretations of accounting requirements, changes in industry practice or changes in management assumptions could require amendments to or restatements of disclosures or financial information included in this or prior filings with the SEC.*

- *Uncertainty of access to capital for telecommunications companies, deterioration in the capital markets, other changes in market conditions, changes in U.S. Cellular s credit ratings or other factors could limit or restrict the availability of financing on terms and prices acceptable to it, which could require it to reduce its construction, development and acquisition programs.*
- *Changes in income tax rates, tax laws, regulations or rulings, or federal or state tax assessments could have an adverse effect on U.S. Cellular s financial condition and results of operations.*
- *War, conflicts, hostilities and/or terrorist attacks could have an adverse effect on U.S. Cellular s business.*
- *Changes in general economic and business conditions, both nationally and in the markets in which U.S. Cellular operates, could have an adverse effect on U.S. Cellular s business.*
- *Changes in fact or circumstances, including new or additional information that affects the calculation of accrued liabilities for contingent obligations under guarantees, indemnities or otherwise could require U.S. Cellular to record charges in excess of amounts accrued on the financial statements, if any, which could have an adverse effect on U.S. Cellular s financial condition and results of operations.*
- *A significant deficiency or material weakness in the effectiveness of internal control over financial reporting and/or in disclosure controls and procedures could result in inaccurate financial statements or other disclosures or permit fraud, which could have a material adverse effect on U.S. Cellular s business, results of operations and financial condition.*
- *The possible development of adverse precedent in litigation or conclusions in professional studies to the effect that radio frequency emissions from handsets, wireless data devices and/or cell sites cause harmful health consequences, including cancer or tumors, or may interfere with various electronic medical devices such as pacemakers, could have a material adverse effect on U.S. Cellular s business operations, financial condition and results of operations.*
- *Any of the foregoing events or other events could cause revenues, customer additions, operating income, capital expenditures and or any other financial or statistical information to vary from management s forward estimates included in this report by a material amount.*

U.S. Cellular undertakes no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise. Readers should evaluate any statements in light of these important factors.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Based on the evaluation required by Rule 13a-15(b) under the Securities Exchange Act of 1934, the principal executive officer and principal financial officer of U.S. Cellular have concluded that U.S. Cellular s disclosure controls and procedures (as defined in Rules 13a-15(e)), as of the end of the period covered by the report, are effective to ensure that the information required to be disclosed by U.S. Cellular in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time period specified in SEC rules and forms, except to the extent noted below. The disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives.

Changes in Internal Controls over Financial Reporting. There was no change in U.S. Cellular s internal controls over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, U.S. Cellular s internal controls over financial reporting.

Design and Evaluation of Internal Controls over Financial Reporting. Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, U.S. Cellular will be required to furnish a report of management s assessment of the design and effectiveness of its internal controls as part of the Annual Report on Form 10-K beginning with the fiscal year ended December 31, 2004. The independent auditors of U.S. Cellular will then be required to attest to, and report on, management s assessment and the effectiveness of internal controls over financial reporting pursuant to Auditing Standard No. 2, An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements, of the Public Company Accounting Oversight Board (PCAOB Standard No. 2).

Various initiatives have been implemented in 2004 to prepare for compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and improve internal controls and procedures, and management is not aware of any material weaknesses in internal controls over financial reporting at this time. However, assurance cannot be provided that these initiatives will be successful or that the changes to internal controls and procedures will be effective for timely compliance with Section 404. The identification of any material weaknesses in internal control over financial reporting could have a material adverse effect on U.S. Cellular s business, results of operations and financial condition.

Restatement of Consolidated Statements of Cash Flows. As set forth in Note 2 to the financial statements herein, U.S. Cellular restated its Consolidated Statements of Cash Flows for the nine months ended September 30, 2004. The restatement resulted from a significant deficiency in U.S. Cellular s internal controls over non-routine and non-systematic transactions that was identified by U.S. Cellular. U.S. Cellular has implemented changes to the design of its internal controls over non-routine and non-systematic transactions to remediate this deficiency.

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PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit 10.1 U.S. Cellular Corporation Regional Support Organization (Corporate) Executive Officer Annual Bonus Plan Effective January 1, 2004.*

Exhibit 11 Statement regarding computation of per share earnings is included herein as Note 9 to the financial statements.

Exhibit 12 Statement regarding computation of ratios.*

Exhibit 31.1 Chief Executive Officer certification pursuant to Rule 13a-14 of the Securities Exchange Act of 1934.

Exhibit 31.2 Chief Financial Officer certification pursuant to Rule 13a-14 of the Securities Exchange Act of 1934.

Exhibit 32.1 Chief Executive Officer certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

Exhibit 32.2 Chief Financial Officer certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

* Previously included as an exhibit to U.S. Cellular's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2004, filed on November 9, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED STATES CELLULAR CORPORATION
(Registrant)

Date	January 19, 2005	/s/ John E. Rooney John E. Rooney President and Chief Executive Officer
Date	January 19, 2005	/s/ Kenneth R. Meyers Kenneth R. Meyers Executive Vice President-Finance, Chief Financial Officer and Treasurer
Date	January 19, 2005	/s/ Thomas S. Weber Thomas S. Weber Vice President and Controller (Principal Accounting Officer)

Signature page for the U.S. Cellular 2004 Third Quarter Form 10-Q/A