

TELUS CORP
Form F-10/A
March 29, 2016

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AS FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ON MARCH 29, 2016

REGISTRATION NO. 333-210204

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

**AMENDMENT NO. 1
TO
FORM F-10**
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

TELUS CORPORATION
(Exact name of Registrant as specified in its charter)

British Columbia, Canada
(Province or other jurisdiction of
incorporation or organization)

4812
(Primary Standard Industrial
Classification Code Number)
510 West Georgia Street
Vancouver, British Columbia V6B 0M3
Canada
(604) 697-8044

Not Applicable
(I.R.S. Employer Identification No.,
if applicable)

(Address and telephone number of Registrant's principal executive offices)

CT Corporation System
111 Eighth Avenue, 13th Floor
New York, New York 10011
(212) 590-9070
(Name, address (including zip code) and telephone number
(including area code) of agent for service in the United States)

Copies to:

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Paul, Weiss, Rifkind, Wharton &
Garrison LLP
1285 Avenue of the Americas

Stephen Lewis
TELUS Corporation
510 W. Georgia St., 23rd Floor
Vancouver, British Columbia V6B 0M3

Francis Legault
Pierre Dagenais
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New York, NY 10019-6064
(212) 373-3000

Canada
(604) 697-8044

Bureau 2500, 1 Place Ville Marie
Montreal, Quebec, H3B 1R1
Canada
(514) 847-4747

Approximate date of commencement of proposed sale of the securities to the public: From time to time after the effective date of this Registration Statement.

British Columbia, Canada
(Principal jurisdiction regulating this offering)

It is proposed that this filing shall become effective (check appropriate box below):

- A. upon filing with the Commission pursuant to Rule 467(a) (if in connection with an offering being made contemporaneously in the United States and Canada).
- B. at some future date (check the appropriate box below):
1. pursuant to Rule 467(b) on () at () (designate a time not sooner than seven calendar days after filing).
 2. pursuant to Rule 467(b) on () at () (designate a time seven calendar days or sooner after filing) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on ().
 3. pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the Registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.
 4. after the filing of the next amendment to this Form (if preliminary material is being filed).

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to the home jurisdiction's shelf prospectus offering procedures, check the following box.

PART I
INFORMATION REQUIRED TO BE DELIVERED TO OFFEREEES OR PURCHASERS

I-1

SHORT FORM BASE SHELF PROSPECTUS

New Issue

March 29, 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 that this 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

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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; and
- (iv) the information circular dated March 18, 2015 prepared in connection with the Company's annual general meeting held on May 7, 2015.

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.

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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 a new annual information form and the related annual financial statements being filed 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 the new 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 the new 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 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 the new 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, guidance and 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. 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; the potential entry of new competitors; 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, moderating growth in postpaid market penetration 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; competition for wireless spectrum; 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 wireline and wireless networks (including broadband initiatives, such as fibre-to-the-premises ("FTTP") and wireless small-cell deployment); 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; availability of resources and ability to build out adequate broadband capacity; network reliability and change management (including

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migration risks related to technology and customer retention, to new, more efficient Internet data centres ("IDCs") and realizing the expected benefits); 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.

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 favouring 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; 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 higher minimum Internet access speeds; 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; modification, interpretation and application of tower sharing and roaming rules; and the non-harmonization of provincial consumer protection legislation, particularly in light of the CRTC's mandatory national wireless code (the "Code") in effect since December 2, 2013, and pressures on retention costs and other operational challenges resulting from the retroactive application of the Code, which led to two-year and three-year customer contracts ending coterminously starting in June 2015.

Economic growth and fluctuations including: the state of the economy in Canada, which may be influenced by economic developments outside of Canada; 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 Canada: 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 ongoing deployment of wireless LTE and future technologies; utilizing newly acquired spectrum; the Company's wireline broadband initiatives, including connecting more homes and businesses directly to fibre; 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 the Department of Innovation, Science and Economic Development. The Company's capital expenditure levels could be impacted by the achievement of its targeted operational and financial results.

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 earnings enhancement program to drive improvements in earnings before interest, income taxes, depreciation and amortization ("EBITDA"), including the initiative announced in November 2015; business integrations; business process outsourcing; offshoring and reorganizations, including any full-time equivalent ("FTE") employee reduction programs; procurement initiatives; and real estate rationalization. Additional cost reduction initiatives may be needed if the Company does not achieve its targeted operational and financial results.

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.

Ability to sustain the Company's dividend growth program of circa 10% per annum through 2016 and the Company's ability to sustain and complete its multi-year share purchase program through 2016. These programs may be affected by factors such as regulatory decisions and developments, the Company's

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earnings and free cash flow, the Company's levels of capital expenditures and spectrum licence purchases, the competitive environment and economic performance in Canada. 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. 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 2016 and/or renewed thereafter.

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.

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 our infrastructure and business operations; and real estate joint venture re-development risks.

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 and pandemics; and the completeness and effectiveness of business continuity and disaster recovery plans and responses.

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

Acquisitions or divestitures including: the Company's ability to successfully integrate acquisitions or complete divestitures 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 the Company's Management's Discussion and Analysis of financial results for the year ended December 31, 2015.

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

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

For the 12-month period ended December 31, 2015, the Company's consolidated net income attributable to equity shares before borrowing costs and income taxes was \$2,409 million. Borrowing costs for this 12-month period was \$511 million.

	December 31, 2015
Twelve-month period ended	
Earnings coverage ratio	4.7

The earnings coverage ratio at December 31, 2015 gives a 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, 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.

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 836,835 Common Shares on the exercise of 1,967,878 options at a weighted average price of \$22.07 per share.

On March 27, 2015, the Company issued 1.50% Series CS notes due March 27, 2018 in an aggregate principal amount of \$250 million, 2.35% Series CT notes due March 28, 2022 in an aggregate principal amount of \$1 billion, and 4.40% Series CU notes due January 29, 2046 in an aggregate principal amount of \$500 million. 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		Volume
	High (\$)	Low (\$)	
2015			
January	44.20	41.26	20,779,410
February	44.57	42.28	19,379,359
March	44.10	41.31	29,075,660
April	43.63	41.73	19,751,758
May	42.80	40.86	19,399,953
June	43.05	40.77	28,508,988
July	45.00	43.50	21,578,466
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 1-28	42.00	39.13	25,608,231

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

General

The Trust Indenture provides 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 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 December 31, 2015, \$11,250 million principal amount of Debt Securities are outstanding under the 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;

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- (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.

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.

Negative Pledge

The Trust Indenture contains 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

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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 Indenture 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 Indenture; 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 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

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 Indenture (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 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 Indenture

With certain exceptions, the Trust Indenture, 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; but 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.

Events of Default

The Trust Indenture provides 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 Indenture;
- (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;

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- (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 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 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.

The Company is required to file with the Trustee an annual officers' certificate as to the absence of certain defaults under the Trust Indenture.

The 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 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 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 Trust Indenture contains a provision entitling the 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 Trust Indenture at the request of such holders. The Trust Indenture provides that no holder of Debt Securities of any series may pursue a remedy with respect to the Trust Indenture except in the case of failure of the Trustee to act.

Defeasance

Defeasance of Certain Obligations

If the supplement to the 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 Trustee, as specific security pledged for, and dedicated solely to, the due payment and ultimate satisfaction of all of its obligations under the 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 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 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 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 Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent to the defeasance have been satisfied.

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 Trustee of funds or obligations of the type referred to under " Defeasance of Certain Obligations" above. The Prospectus Supplement will more fully describe the provisions, if any, relating thereto.

Amalgamation, Consolidation, Conveyance, Transfer or Lease

The Trust Indenture provides 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 Indenture;
- (iii) after giving effect to such transaction no default or event of default is or will be occurring under the Trust Indenture or in respect of the Debt Securities of any series; and
- (iv) the Company delivers to the Trustee an officer's certificate and opinion of counsel confirming that the foregoing conditions have been met.

Governing Law

The Trust Indenture is governed by, and construed in accordance with, the laws of the Province of Ontario.

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.
- (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)

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"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,

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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).

- (viii) "**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).
- (ix) "**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.
- (x) "**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).
- (xi) "**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.
- (xii) "**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.
- (xiii) "**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.
- (xiv) "**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 Act*, 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. 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 and is subject to shareholder confirmation every three years. 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,

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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 may 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)

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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, depository 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 may 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;

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- (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 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; and the Indenture. 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.

PART II

**INFORMATION NOT REQUIRED TO BE DELIVERED TO
OFFEREES OR PURCHASERS**

Indemnification

Sections 160 to 163 of the Business Corporations Act (British Columbia) (successor to the Company Act (British Columbia)) provide as follows:

160 Subject to section 163, a company may do one or both of the following:

- (a) indemnify an eligible party against all eligible penalties to which the eligible party is or may be liable;
- (b) after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by an eligible party in respect of that proceeding.

161 Subject to section 163, a company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by the eligible party in respect of that proceeding if the eligible party

- (a) has not been reimbursed for those expenses, and
- (b) is wholly successful, on the merits or otherwise, in the outcome of the proceeding or is substantially successful on the merits in the outcome of the proceeding.

162 (1) Subject to section 163 and subsection (2) of this section, a company may pay, as they are incurred in advance of the final disposition of an eligible proceeding, the expenses actually and reasonably incurred by an eligible party in respect of that proceeding.

(2) A company must not make the payments referred to in subsection (1) unless the company first receives from the eligible party a written undertaking that, if it is ultimately determined that the payment of expenses is prohibited by section 163, the eligible party will repay the amounts advanced.

163 (1) A company must not indemnify an eligible party under section 160(a) or pay the expenses of an eligible party under section 160(b), 161 or 162 if any of the following circumstances apply:

- (a) if the indemnity or payment is made under an earlier agreement to indemnify or pay expenses and, at the time that the agreement to indemnify or pay expenses was made, the company was prohibited from giving the indemnity or paying the expenses by its memorandum or articles;
- (b) if the indemnity or payment is made otherwise than under an earlier agreement to indemnify or pay expenses and, at the time that the indemnity or payment is made, the company is prohibited from giving the indemnity or paying the expenses by its memorandum or articles;
- (c) if, in relation to the subject matter of the eligible proceeding, the eligible party did not act honestly and in good faith with a view to the best interests of the company or the associated corporation, as the case may be;
- (d) in the case of an eligible proceeding other than a civil proceeding, if the eligible party did not have reasonable grounds for believing that the eligible party's conduct in respect of which the proceeding was brought was lawful.

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(2) If an eligible proceeding is brought against an eligible party by or on behalf of the company or by or on behalf of an associated corporation, the company must not do either of the following:

- (a) indemnify the eligible party under section 160(a) in respect of the proceeding;
- (b) pay the expenses of the eligible party under section 160(b), 161 or 162 in respect of the proceeding.

Article 20 of the Articles of the Registrant provides as follows:

20.1

Mandatory Indemnification of Eligible Parties

Subject to the Business Corporations Act, the Company must indemnify an eligible party and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must indemnify and pay expenses in advance of the final disposition of an eligible proceeding in accordance with, and to the fullest extent and in all circumstances permitted by, the Business Corporations Act.

20.2

Indemnification of Other Persons

Subject to any restrictions in the Business Corporations Act, the Company may indemnify any person.

20.3

Non-Compliance with Business Corporations Act

The failure of an eligible party or any other person to comply with the Business Corporations Act or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

20.4

Company May Purchase Insurance

Subject to the limitations contained in the Business Corporations Act, the Company may purchase and maintain insurance for the benefit of any person referred to in this Article 20.

To the extent permitted by law, the Company has entered into an indemnification agreement with its directors for liabilities incurred while performing their duties. The Company also maintains Directors' & Officers' Liability and Fiduciary Liability insurance which protect individual directors and officers and the Company against claims made, provided they acted in good faith on behalf of the Company, subject to policy restrictions.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, the Registrant has been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is therefore unenforceable.

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Exhibits

Exhibit No.	Description
4.1**	Annual Information Form of the Company, dated March 10, 2016 (incorporated by reference to Exhibit 99.3 to the Company's Form 40-F filed on March 10, 2016)
4.2**	Audited Consolidated Financial Statements of the Company, including the notes thereto, as at and for the years ended December 31, 2015 and 2014, together with the report of the independent registered public accounting firm thereon dated February 11, 2016 (incorporated by reference to Exhibit 99.4 to the Company's Form 40-F filed on March 10, 2016)
4.3**	Management's Discussion and Analysis of the Company for the year ended December 31, 2015 (incorporated by reference to Exhibit 99.4 to the Company's Form 40-F filed on March 10, 2016)
4.4**	Information Circular of the Company, dated as of March 18, 2015, prepared in connection with the Company's annual general meeting held on May 7, 2015 (incorporated by reference to Exhibit 99.1 to the Company's Form 6-K filed on April 2, 2015)
5.1*	Consent of Deloitte LLP
6.1***	Powers of Attorney
7.1**	Form of Indenture (incorporated by reference to the Company's Form F-10/A filed on May 22, 2001)

*
Filed herewith.

**
Incorporated by reference.

Previously filed.

PART III
UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

Item 1. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities registered pursuant to this Form F-10 or to transactions in said securities.

Item 2. Consent to Service of Process

Concurrently with the filing of this Registration Statement on Form F-10, the Registrant has filed with the Commission a written irrevocable consent and power of attorney on Form F-X.

Concurrently with the filing of this Registration Statement on Form F-10, Computershare Trust Company of Canada, as trustee under the indenture relating to the securities registered hereby, has filed with the Commission a written irrevocable consent and power of attorney on Form F-X.

Any change to the name or address of the agent for service of the Registrant or the trustee will be communicated promptly to the Commission by amendment to Form F-X referencing the file number of this Registration Statement.

III-1

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-10 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Vancouver, Province of British Columbia, Country of Canada, on this 29th day of March, 2016.

TELUS CORPORATION

By: /s/ DARREN ENTWISTLE

Name: Darren Entwistle
Title: President and Chief Executive Officer

By: /s/ JOHN GOSSLING

Name: John Gossling
Title: Executive Vice-President and Chief Financial Officer

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Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on the dates indicated.

Name	Title	Date
*		
_____ Darren Entwistle	Director, President and Chief Executive Officer (Principal Executive Officer)	March 29, 2016
*		
_____ John Gossling	Executive Vice-President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 29, 2016
*		
_____ R.H. (Dick) Auchinleck	Chair	March 29, 2016
*		
_____ Micheline Bouchard	Director	March 29, 2016
*		
_____ R. John Butler	Director	March 29, 2016
*		
_____ Raymond T. Chan	Director	March 29, 2016
*		
_____ Stockwell Day	Director	March 29, 2016
*		
_____ Lisa de Wilde	Director	March 29, 2016
*		
_____ Ruston E.T. Goepel	Director	March 29, 2016
*		
_____ Mary Jo Haddad	Director	March 29, 2016
*		
_____ John S. Lacey	Director	March 29, 2016

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Name	Title	Date
*		
_____ William A. MacKinnon	Director	March 29, 2016
*		
_____ John Manley	Director	March 29, 2016
*		
_____ Sarabjit Marwah	Director	March 29, 2016
*		
_____ Donald Woodley	Director	March 29, 2016
*By:		
_____ /s/ STEPHEN LEWIS	Attorney-in-Fact	March 29, 2016
Stephen Lewis		

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AUTHORIZED REPRESENTATIVE

Pursuant to the requirements of Section 6(a) of the Securities Act of 1933, the authorized representative has duly caused this Registration Statement to be signed on its behalf by the undersigned, solely in its capacity as the duly authorized representative of TELUS Corporation in the United States, in the State of Delaware, Country of the United States of America, on this 29th day of March, 2016.

PUGLISI AND ASSOCIATES

By: /s/ DONALD J. PUGLISI

Name: Donald J. Puglisi
Title: Managing Director

EXHIBIT INDEX

Exhibit No.	Description
4.1**	Annual Information Form of the Company, dated March 10, 2016 (incorporated by reference to Exhibit 99.3 to the Company's Form 40-F filed on March 10, 2016)
4.2**	Audited Consolidated Financial Statements of the Company, including the notes thereto, as at and for the years ended December 31, 2015 and 2014, together with the report of the independent registered public accounting firm thereon dated February 11, 2016 (incorporated by reference to Exhibit 99.4 to the Company's Form 40-F filed on March 10, 2016)
4.3**	Management's Discussion and Analysis of the Company for the year ended December 31, 2015 (incorporated by reference to Exhibit 99.4 to the Company's Form 40-F filed on March 10, 2016)
4.4**	Information Circular of the Company, dated as of March 18, 2015, prepared in connection with the Company's annual general meeting held on May 7, 2015 (incorporated by reference to Exhibit 99.1 to the Company's Form 6-K filed on April 2, 2015)
5.1*	Consent of Deloitte LLP
6.1***	Powers of Attorney
7.1**	Form of Indenture (incorporated by reference to the Company's Form F-10/A filed on May 22, 2001)

*
Filed herewith.

**
Incorporated by reference.

Previously filed.

QuickLinks

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yle="font-size:10.0pt;">Total other (income) expenses, net

% -0.1

% -0.1

% 0.2

Income before taxes

8.5

44

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%	8.4
%	12.3
%	
Income tax expense	
	3.0
%	3.0
%	4.2
%	
Net income from consolidated operations	
	5.5
%	5.4
%	
	8.1
%	

2015 Compared to 2014

Sales

Net sales decreased 0.3% to \$138.9 million for the year ended December 31, 2015, from net sales of \$139.3 million in 2014, primarily due to decreases in sales to customers in the electronics, industrial and aerospace and defense markets of approximately 16.5%, 16.5% and 13.2%, respectively, primarily offset by an increase in sales to customers in the medical market of approximately 14.6%. The decline in sales to customers in the electronics market was largely due to the loss of a packaging contract by one of the Company's distributor customers. The

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decline in sales to customers in the aerospace and defense market was primarily due to a large, one-time order from a single customer in this market in 2014. The decline in sales to customers in the industrial market is comprised of reductions in sales to many smaller accounts. The increase in sales to customers in the medical market reflects the Company's strategy of focusing resources in the area as well as the overall growth of our customers' products.

Gross Profit

Gross profit as a percentage of sales (*Gross Margin*) increased to 27.0% for the year ended December 31, 2015, from 26.5% in 2014. As a percentage of sales, material and direct labor costs collectively increased approximately 0.2%, while overhead decreased approximately 0.7%. The increase in material and direct labor costs was primarily the result of a slight increase in overall labor costs. The decrease in overhead was primarily due to decreased employee health care costs of approximately \$900,000 due to a higher than typical frequency of large claims in 2014 and decreased rent costs of approximately \$600,000 due to recent plant consolidations, offset by higher depreciation costs of \$450,000 due largely to a full year of depreciation for our Texas building and new molded fiber equipment, as well as depreciation for our new building in Newburyport.

Selling, General and Administrative Expenses

Selling, General, and Administrative Expenses (*SG&A*) increased 0.7% to \$24.0 million for the year ended December 31, 2015 from \$23.8 million in 2014. The slight increase in SG&A for the year ended December 31, 2015, is primarily due to higher technology-related costs of approximately \$300,000 and higher travel costs of approximately \$100,000, primarily due to the Company's ERP implementation, partially offset by decreased employee health care costs of approximately \$250,000 due largely to a higher than typical frequency of large claims in 2014.

Restructuring Costs

On March 18, 2015, the Company committed to move forward with a plan to cease operations at its Raritan, New Jersey, plant and consolidate operations into its Newburyport, Massachusetts, facility and other UFP facilities. The Company's decision was in response to a continued decline in business at the Raritan facility and the recent purchase of the 137,000-square-foot facility in Newburyport. The activities related to this consolidation were substantially complete at December 31, 2015.

The Company also relocated all operations in its Haverhill, Massachusetts, and Byfield, Massachusetts facilities and plans to relocate certain operations in its Georgetown, Massachusetts facility to Newburyport. The Haverhill and Byfield relocations were complete at December 31, 2015 and the Georgetown relocation is expected to be complete by June 30, 2016.

The Company expects to incur approximately \$2.1 million in one-time expenses in connection with the Massachusetts consolidations. Included in this amount are approximately \$180,000 relating to employee severance payments and relocation costs, approximately \$1.5 million in moving expenses and expenses associated with vacating the Raritan, Haverhill and Byfield properties, and approximately \$360,000 in lease termination costs. Total cash charges are estimated at \$2.0 million. The Company expects annual cost savings of approximately \$1.0 million as a result of these consolidations. The actual costs incurred through December 31, 2015 are included in the table below.

On July 16, 2014, the Company committed to move forward with a plan to cease operations at its Costa Mesa, California, plant and consolidate operations into its Rancho Dominguez, California, facility and other UFP facilities. The Company's decision was in response to the December 31, 2014, expiration of the lease on the Costa Mesa facility as well as the close proximity of the two properties. The California consolidation is complete and the actual costs incurred are included in the table below.

On January 7, 2014, the Company committed to move forward with a plan to cease operations at its Glendale Heights, Illinois plant and consolidate operations into its Grand Rapids, Michigan, facility. The Company's decision was in response to a pending significant increase in lease cost, declining sales at the Illinois facility, and significant anticipated savings as a result of the consolidation. The consolidation into the Michigan facility is complete and the actual costs incurred are included in the table below.

The Company has recorded the following restructuring costs associated with the consolidations discussed above for the fiscal years ended December 31, 2015 and 2014 (in thousands):

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Restructuring Costs	2015			2014		
	Massachusetts	California	Total	Michigan	California	Total
Employee severance	\$ 178	\$ 18	\$ 196	\$ 237	\$ 10	\$ 247
Relocation	1,138	66	1,204	356	501	857
Lease termination	356		356			
Workforce training				373		373
Plant infrastructure				79		79
Total restructuring costs	\$ 1,672	\$ 84	\$ 1,756	\$ 1,045	\$ 511	\$ 1,556

The 2015 costs were reclassified in the Consolidated Statement of Operations as Restructuring Costs as follows: \$1,669,000 from Cost of Sales, \$36,000 from Selling, General and Administrative expenses and \$51,000 from Gain on sales of property, plant and equipment. The 2014 costs were reclassified in the Consolidated Statement of Operations as Restructuring Costs as follows: \$1,385,000 from Cost of Sales, \$82,000 from Selling, General and Administrative expenses and \$89,000 from Gain on sales of property, plant and equipment.

Interest Income and Expense

The Company had net interest income of approximately \$27,000 for the year ended December 31, 2015, compared to net interest expense of approximately \$108,000 for the year ended December 31, 2014. The increase in net interest income is due primarily to an increase in interest earned on money market accounts and certificates of deposit along with a nonrecurring interest charge in 2014 to adjust a contingent note payable to fair value.

Income Taxes

The Company recorded income tax expense as a percentage of income before income tax expense, of 35.3% and 35.8% for the years ended December 31, 2015 and 2014, respectively. The decrease in the effective tax rate for the year ended December 31, 2015 is primarily attributable to a higher anticipated Domestic Production Deduction on the Company's 2015 federal tax return. The Company has deferred tax assets on its books associated with net operating losses generated in previous years. The Company has considered both positive and negative available evidence in its determination that the deferred tax assets are more likely than not to be realized, and has not recorded a tax valuation allowance at December 31, 2015. The Company will continue to assess whether the deferred tax assets will be realizable and, when appropriate, will record a valuation allowance against these assets. The amount of the net deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

2014 Compared to 2013

Sales

Net sales increased 0.1% to \$139.3 million for the year ended December 31, 2014, from net sales of \$139.2 million in 2013, primarily due to increases in sales in the aerospace and defense and medical markets of approximately 10% and 2%, respectively, partially offset by sales decline in the automotive market of approximately 6%. The increase in sales to the aerospace and defense market was largely due to an increase in sales

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of approximately \$2.1 million for a low-margin contract manufacturing program. Absent this increase, sales to the aerospace and defense market declined approximately 6% due primarily to cuts in government spending. The decline in sales to the automotive market was primarily due to the phase-out of an interior trim program coupled with soft demand for parts for a specific model of car that had weak demand from consumers.

Gross Profit

Gross profit as a percentage of sales (*Gross Margin*) declined to 26.5% for the year ended December 31, 2014, from 29.5% in 2013. As a percentage of sales, material and direct labor costs collectively increased approximately 1.5% and overhead as a percentage of sales increased approximately 1.5% or approximately \$2.0 million in 2014. The increase in material and direct labor costs was primarily the result of manufacturing inefficiencies incurred as a result of plant moves in the Midwest, California and Texas as well as an increase in sales for a low-margin contract manufacturing military program. The increase in overhead was primarily due to increased employee health care costs of approximately \$600,000 due to a higher than typical frequency of large claims, increased compensation and benefits of approximately \$450,000 due to normal inflationary increases as well as higher overtime incurred as a result of the plant moves, increased plant and equipment maintenance costs of approximately \$290,000 due to the various plant moves and higher depreciation of approximately \$220,000 due largely to new molded fiber equipment.

Selling, General and Administrative Expenses

Selling, General, and Administrative Expenses (*SG&A*) increased 1.0% to \$23.8 million for the year ended December 31, 2014 from \$23.6 million in 2013. The increase in SG&A for the year ended December 31, 2014, is primarily due to higher depreciation costs of \$160,000, largely associated with the Company's new ERP software system, increased bad debt expense of approximately \$140,000 due largely to a one-time write-off and increased employee health care costs of approximately \$184,000 due largely to a higher than typical frequency of large claims, partially offset by lower sales commissions of approximately \$100,000 due to soft sales compared to the Company's budgeted sales, lower advertising costs incurred of approximately \$70,000 and lower intangibles amortization of approximately \$85,000.

Restructuring Costs

On January 7, 2014, the Company committed to move forward with a plan to cease operations at its Glendale Heights, Illinois plant and consolidate operations into its Grand Rapids, Michigan, facility. The Company's decision was in response to a pending significant increase in lease cost, declining sales at the Illinois facility, and significant anticipated savings as a result of the consolidation. The consolidation into the Michigan facility is complete and the actual costs incurred are included in the table below.

On July 16, 2014, the Company committed to move forward with a plan to cease operations at its Costa Mesa, California, plant and consolidate operations into its Rancho Dominguez, California, facility and other UFP facilities. The Company's decision was in response to the December 31, 2014, expiration of the lease on the Costa Mesa facility as well as the close proximity of the two properties. This consolidation is complete and the actual costs incurred through December 31, 2014 are included in the table below.

The Company recorded the following restructuring costs associated with the plant consolidations discussed above for the year ended December 31, 2014 (in thousands):

Restructuring Costs	Michigan	California	Total
Employee severance payments	\$ 237	\$ 10	\$ 247

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Relocation costs		356		501		857
Workforce training costs		373				373
Plant infrastructure costs		79				79
Total restructuring costs	\$	1,045	\$	511	\$	1,556

These costs were reclassified in the 2014 Consolidated Statement of Operations as Restructuring Costs as follows: \$1,385,000 from Cost of Sales, \$82,000 from Selling, General and Administrative expenses and \$89,000 from Gain on sales of property, plant and equipment. The Company also incurred approximately \$373,000 and \$38,000, in related capital improvements at its Michigan and California facilities, respectively, for the year ended December 31, 2014.

Interest Expense

Interest expense net of interest income decreased to approximately \$108,000 for the year ended December 31, 2014 from net interest expense of approximately \$205,000 in 2013. The decrease in interest expense is primarily due to a lower average debt balance as a result of the Company's repayment of term loans in conjunction with the execution of a new revolving credit facility in the fourth quarter of 2013.

Income Taxes

The Company recorded income tax expense as a percentage of income before income tax expense, of 35.8% and 34.4% for the years ended December 31, 2014 and 2013, respectively. The increase in the effective tax rate for the year ended December 31, 2014 is primarily attributable to permanent differences measured against lower pre-tax income as well as additional reserves of approximately \$150,000 for uncertain tax positions. The Company has deferred tax assets on its books associated with net operating losses generated in previous years. The Company has considered both positive and negative available evidence in its determination that the deferred tax assets are more likely than not to be realized, and has not recorded a tax valuation allowance at December 31, 2014. The Company will continue to assess whether the deferred tax assets will be realizable and, when appropriate, will record a valuation allowance against these assets. The amount of the net deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

Liquidity and Capital Resources

The Company generally funds its operating expenses, capital requirements, and growth plan through internally generated cash and bank credit facilities.

Cash Flows

Net cash provided by operations for the year ended December 31, 2015 was approximately \$13.1 million and was primarily a result of net income generated of approximately \$7.6 million, depreciation and amortization of approximately \$4.9 million, share-based compensation of approximately \$1.1 million and a decrease in refundable income taxes of approximately \$2.4 million. These cash inflows and adjustments to income were partially offset by an increase in accounts receivable of approximately \$1.0 million due to the timing of customer payments in the ordinary course of business, an increase in inventory of approximately \$1.3 million due to the timing of raw materials purchases and customer shipments and a decrease in accounts payable and accrued expenses of approximately \$600,000 due to the timing of vendor payments in the ordinary course of business.

Net cash used in investing activities during the year ended December 31, 2015, was approximately \$16.3 million of which approximately \$11.5 million was the result of the purchase and renovation of our new corporate headquarters and manufacturing facility in Newburyport, MA and approximately \$4.8 million was the result of other additions of technology, manufacturing machinery and equipment across the Company.

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Net cash used in financing activities was approximately \$1.1 million for the year ended December 31, 2015, representing cash used to service term debt of approximately \$1.0 million, to repurchase shares of common stock of approximately \$600,000 and to pay statutory withholding for stock options exercised and restricted stock units vested of approximately \$200,000, partially offset by excess tax benefits on share-based compensation of approximately \$350,000, and net proceeds received upon stock option exercises of approximately \$350,000.

Outstanding and Available Debt

The Company maintains an unsecured \$40 million revolving credit facility with Bank of America, N.A. The credit facility calls for interest of LIBOR plus a margin that ranges from 1.0% to 1.5% or, at the discretion of the Company, the bank's prime rate less a margin that ranges from 0.25% to zero. In both cases the applicable margin is dependent upon Company performance. Under the credit facility, the Company is subject to a minimum fixed-charge coverage financial covenant as well as a maximum total funded debt to EBITDA financial covenant. The Company's \$40 million credit facility matures on November 30, 2018.

As of December 31, 2015, the Company had no borrowings outstanding under the credit facility and the Company was in compliance with all covenants under the credit facility.

In 2012, the Company financed the purchase of two molded fiber machines through five-year term loans that mature in September 2017. The annual interest rate is fixed at 1.83% and the loans are secured by the related molded fiber machines. As of December 31, 2015, the outstanding balance of the term loan facility was approximately \$1.9 million.

Future Liquidity

The Company requires cash to pay its operating expenses, purchase capital equipment, and to service its contractual obligations. The Company's principal sources of funds are its operations and its revolving credit facility. The Company generated cash of approximately \$13.1 million in operations during the year ended December 31, 2015, and cannot guarantee that its operations will generate cash in future periods. The Company's longer-term liquidity is contingent upon future operating performance.

Throughout fiscal 2016, the Company plans to continue to add capacity to enhance operating efficiencies in its manufacturing plants. The Company may also further expand its Newburyport, Massachusetts manufacturing plant. The Company may consider additional acquisitions of companies, technologies, or products that are complementary to its business. The Company believes that its existing resources, including its revolving credit facility, together with cash expected to be generated from operations and funds expected to be available to it through any necessary equipment financings and additional bank borrowings, will be sufficient to fund its cash flow requirements, including capital asset acquisitions, through the next twelve months.

Stock Repurchase Program

The Company accounts for treasury stock under the cost method, using the first-in, first out flow assumption, and includes treasury stock as a component of stockholders' equity. On June 16, 2015, the Company announced that its Board of Directors authorized the repurchase of up to \$10.0 million of the Company's outstanding common stock. Under the program, the Company is authorized to repurchase shares through Rule 10b5-1 plans, open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934. The stock repurchase program will end upon the earlier of the date on which the plan is terminated by the Board or when all authorized repurchases are completed. The timing and amount of stock repurchases, if any, will be determined based upon our evaluation of market conditions and other factors. The stock repurchase program may be suspended, modified or discontinued at any time, and the Company has no obligation to repurchase any amount of its common stock under the program. During the year ended December 31, 2015, the Company repurchased 29,559 shares of common stock at a cost of approximately \$587,000.

Commitments and Contractual Obligations

The following table summarizes the Company's contractual obligations at December 31, 2015 (in thousands):

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	Total	Less than 1 Year	Payment Due By Period		More than 5 Years
			1-3 Years	3-5 Years	
Equipment Loans	\$ 1,870	\$ 1,011	\$ 859	\$	\$
Operating Leases	1,264	888	376		
Debt interest	32	25	7		
Supplemental Retirement	100	25	50	25	
Total	\$ 3,266	\$ 1,949	\$ 1,292	\$ 25	\$

The Company requires cash to pay its operating expenses, purchase capital equipment, and to service the obligations listed above. The Company's principal sources of funds are its operations and its revolving credit facility. Although the Company generated cash from operations in the year ended December 31, 2015, it cannot guarantee that its operations will generate cash in future periods. Subject to the Risk Factors set forth

in Part I, Item 1A of this Report and the general disclaimers set forth in our Special Note Regarding Forward-Looking Statements at the outset of this Report, we believe that cash flow from operations will provide us with sufficient funds in order to fund our expected operations over the next twelve months.

The Company does not believe inflation has had a material impact on its results of operations in the last three years.

Off-Balance-Sheet Arrangements

The Company had no off-balance-sheet arrangements in 2015, other than operating leases.

Critical Accounting Policies

The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, intangible assets, income taxes, warranty obligations, restructuring charges, contingencies, and litigation. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances, including current and anticipated worldwide economic conditions, both in general and specifically in relation to the packaging and component product industries, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements included in Item 8 of this Report. The Company believes the following critical accounting policies necessitated that significant judgments and estimates be used in the preparation of its consolidated financial statements.

The Company has reviewed these policies with its Audit Committee.

Revenue Recognition

The Company recognizes revenue at the time of shipment when title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, performance of its obligation is complete, its price to the buyer is fixed or determinable, and the Company is reasonably assured of collection. If a loss is anticipated on any contract, a provision for the entire loss is made immediately. Determination of these criteria, in some cases, requires management's judgment. Should changes in conditions cause management to determine that these criteria are not met for certain future transactions, revenue for any reporting period could be adversely affected.

Goodwill

Goodwill is tested for impairment annually, and will be tested for impairment between annual tests if an event occurs or circumstances change that would indicate that the carrying amount may be impaired. Impairment testing for goodwill is done at a reporting unit level. Reporting units are one level below the business segment level, but can be combined when reporting units within the same segment have similar economic characteristics. An impairment loss generally would be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. The Company consists of a single reporting unit. We last performed step 1 of the goodwill impairment test as of September 30, 2014. We utilized the guideline public company (GPC) method under the market approach and the discounted cash flows method (DCF) under the income approach to determine the fair value of the reporting unit for purposes of testing the reporting unit's carrying value of goodwill for impairment. The GPC method derives a value by generating a multiple of EBITDA through the comparison of the Company to similar publicly traded companies. The DCF approach derives a value based on the present value of a series of estimated future cash flows at the valuation date by the application of a discount rate, one that a prudent investor would require before making an investment in our equity securities. The key assumptions used in our approach included:

- The reporting unit's 2015 estimated financials and five-year projections of financial results, which were based on our strategic plans and long-range forecasts. Sales growth rates represent estimates based on current and forecasted sales mix and market conditions. The profit margins were projected

based on historical margins, projected sales mix, current expense structure and anticipated expense modifications.

- The projected terminal value which reflects the total present value of projected cash flows beyond the last period in the DCF. This value reflects a growth rate for the reporting unit, which is approximately the same growth rate of expected inflation into perpetuity.
- The discount rate determined using a Weighted Average Cost of Capital method (WACC), which considered market and industry data as well as Company-specific risk factors.
- Selection of guideline public companies which are similar to each other and to the Company.

As of September 30, 2014, based on our calculations under the above noted approach, the fair value of the reporting unit exceeded its carrying value by approximately \$69 million or 74%. In performing these calculations, management used its most reasonable estimates of the key assumptions discussed above. If our actual operating results and/or the key assumptions utilized in management's calculations differ from our expectations, it is possible that a future impairment charge may be necessary.

The Company's annual impairment testing date is December 31. The Company performed a qualitative assessment (step 0) as of December 31, 2015, and determined that it was more likely than not that the fair value of its reporting unit exceeded its carrying amount. As a result, the Company is not required to proceed to a step 1 impairment assessment. Factors considered included the 2014 step 1 analysis and the calculated excess fair value over carrying amount, financial performance, forecasts and trends, market cap, regulatory and environmental issues, macro-economic conditions, industry and market considerations, raw material costs and management stability.

Accounts Receivable

The Company periodically reviews the collectability of its accounts receivable. Provisions are recorded for accounts that are potentially uncollectible. Determining adequate reserves for accounts receivable requires management's judgment. Conditions impacting the realizability of the Company's receivables could cause actual asset write-offs to be materially different than the reserved balances as of December 31, 2015.

Inventories

Inventories include material, labor, and manufacturing overhead and are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

The Company periodically reviews the realizability of its inventory for potential excess or obsolescence. Determining the net realizable value of inventory requires management's judgment. Conditions impacting the realizability of the Company's inventory could cause actual asset write-offs to be materially different than the Company's current estimates as of December 31, 2015.

Recent Accounting Pronouncements

Refer to Note 1, Summary of Significant Accounting Policies, in the accompanying notes to the consolidated financial statements for a discussion of recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion of the Company's market risk includes forward-looking statements that involve risk and uncertainties. Actual results could differ materially from those projected in the forward-looking statements.

Market risk represents the risk of changes in value of a financial instrument caused by fluctuations in interest rates, foreign exchange rates, and equity prices. At December 31, 2015, the Company's cash and cash equivalents consisted of bank accounts in U.S. dollars, and their valuation would not be affected by market risk. Interest under the Company's credit facility with Bank of America, N.A. is based upon either the Prime rate or LIBOR and, therefore, future operations could be affected by interest rate changes. However, as of December 31, 2015, the Company had no borrowings outstanding under the revolving credit facility, and the Company believes the market risk associated with the facility is minimal.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary data of the company are listed under Part IV, Item 15, in this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Report (the Evaluation Date). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) and 15d-15(f). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance, as opposed to absolute assurance, of achieving their internal control objectives.

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Management conducted an assessment of the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, management concluded that, as of December 31, 2015, the Company's internal control over financial reporting is effective.

The Company's internal control over financial reporting as of December 31, 2015, has been audited by Grant Thornton LLP, an independent registered public accounting firm, who also audited the Company's consolidated financial statements. Grant Thornton's attestation report on the Company's internal control over financial reporting is included herein.

There was no change in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this Item 10 is hereby incorporated by reference to the Company's definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is hereby incorporated by reference to the Company's definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is hereby incorporated by reference to the Company's definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is hereby incorporated by reference to the Company's definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 is hereby incorporated by reference to the Company's definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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(a) (1) Financial Statements	
<u>Index to Consolidated Financial Statements and Financial Statement Schedule</u>	F-2
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(a) (2) Financial Statement Schedule	
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<p>All other schedules have been omitted because they are not required, not applicable, or the required information is otherwise included.</p>	
(a) (3) Exhibits	

See the Exhibit Index for a listing of exhibits, which are filed herewith or incorporated herein by reference to the location indicated

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

UFP TECHNOLOGIES, INC.

Date: March 11, 2016

By: /s/ R. Jeffrey Bailly
R. Jeffrey Bailly, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ R. Jeffrey Bailly R. Jeffrey Bailly	Chairman, Chief Executive Officer, President, and Director	March 11, 2016
/s/ Ronald J. Lataille Ronald J. Lataille	Chief Financial Officer, Senior Vice President, Principal Financial and Accounting Officer	March 11, 2016
/s/ Daniel C. Croteau Daniel C. Croteau	Director	March 11, 2016
/s/ Kenneth L. Gestal Kenneth L. Gestal	Director	March 11, 2016
/s/ Marc Kozin Marc Kozin	Director	March 11, 2016
/s/ Thomas Oberdorf Thomas Oberdorf	Director	March 11, 2016
/s/ Robert W. Pierce, Jr. Robert W. Pierce, Jr.	Director	March 11, 2016
/s/ Lucia Luce Quinn Lucia Luce Quinn	Director	March 11, 2016
/s/ David K. Stevenson David K. Stevenson	Director	March 11, 2016

UFP TECHNOLOGIES, INC.

Consolidated Financial Statements
and Financial Statement Schedule

As of December 31, 2015 and 2014

And for the Years Ended December 31, 2015, 2014 and 2013

With Reports of Independent Registered Public Accounting Firm

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UFP TECHNOLOGIES, INC.

Index to Consolidated Financial Statements and Financial Statement Schedule

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

UFP Technologies, Inc.

We have audited the accompanying consolidated balance sheets of UFP Technologies, Inc. (a Delaware corporation) and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UFP Technologies, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 15, 2016 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Boston, Massachusetts

March 11, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

UFP Technologies, Inc.

We have audited the internal control over financial reporting of UFP Technologies, Inc. (a Delaware corporation) and subsidiaries (the Company) as of December 31, 2015, based on criteria established in the 2013 *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 *Internal Control Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2015, and our report dated March 15, 2016 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Boston, Massachusetts

March 11, 2016

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UFP TECHNOLOGIES, INC.

Consolidated Balance Sheets

(In thousands, except share data)

	December 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,804	\$ 34,052
Receivables, net	17,481	16,470
Inventories	14,202	12,893
Prepaid expenses	930	664
Refundable income taxes	1,186	3,192
Total current assets	63,603	67,271
Property, plant and equipment	90,564	75,823
Less accumulated depreciation and amortization	(44,009)	(40,980)
Net property, plant and equipment	46,555	34,843
Goodwill	7,322	7,322
Intangible assets, net	636	953
Other assets	1,834	2,159
Total assets	\$ 119,950	\$ 112,548
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 4,598	\$ 5,398
Accrued expenses	5,374	5,222
Current installments of long-term debt	1,011	993
Total current liabilities	10,983	11,613
Long-term debt, excluding current installments	859	1,873
Deferred income taxes	2,883	2,446
Other liabilities	1,653	1,624
Total liabilities	16,378	17,556
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, \$.01 par value. Authorized 1,000,000 shares; zero shares issued or outstanding		
Common stock, \$.01 par value. Authorized 20,000,000 shares; issued and outstanding 7,170,377 shares at December 31, 2015 and 7,068,815 shares at December 31, 2014	72	71
Additional paid-in capital	23,705	22,132
Retained earnings	80,382	72,789
Treasury stock at cost (29,559 shares at December 31, 2015 and zero shares at December 31, 2014)	(587)	
Total stockholders' equity	103,572	94,992
Total liabilities and stockholders' equity	\$ 119,950	\$ 112,548

The accompanying notes are an integral part of these consolidated financial statements.

UFP TECHNOLOGIES, INC.

Consolidated Statements of Operations

(In thousands, except per share data)

	Years Ended December 31,		
	2015	2014	2013
Net sales	\$ 138,850	\$ 139,307	\$ 139,223
Cost of sales	101,396	102,427	98,209
Gross profit	37,454	36,880	41,014
Selling, general, and administrative expenses	24,008	23,847	23,605
Restructuring costs	1,756	1,556	
(Gain) loss on sales of property, plant and equipment	(24)	(84)	11
Operating income	11,714	11,561	17,398
Other expenses:			
Interest (income) expense, net	(27)	108	205
Other, net		(312)	
Total other (income) expense	(27)	(204)	205
Income before income tax provision	11,741	11,765	17,193
Income tax expense	4,148	4,206	5,917
Net income from consolidated operations	7,593	7,559	11,276
Net income per share:			
Basic	\$ 1.07	\$ 1.08	\$ 1.65
Diluted	\$ 1.05	\$ 1.05	\$ 1.59
Weighted average common shares:			
Basic	7,115	7,028	6,824
Diluted	7,219	7,175	7,105

The accompanying notes are an integral part of these consolidated financial statements.

UFP TECHNOLOGIES, INC.

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2015, 2014 and 2013

(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders Equity
Balance at December 31, 2012	6,750	\$ 67	\$ 19,239	\$ 53,954		\$	\$ 73,260
Share-based compensation	38	1	923				924
Exercise of stock options net of shares presented for exercise	113	1	190				191
Net share settlement of restricted stock units and stock option tax w/h			(879)				(879)
Excess tax benefits on share-based compensation			818				818
Net income				11,276			11,276
Balance at December 31, 2013	6,901	\$ 69	\$ 20,291	\$ 65,230		\$	\$ 85,590
Share-based compensation	20	1	1,118				1,119
Exercise of stock options net of shares presented for exercise	148	1	335				336
Net share settlement of restricted stock units and stock option tax w/h			(831)				(831)
Excess tax benefits on share-based compensation			1,219				1,219
Net income				7,559			7,559
Balance at December 31, 2014	7,069	\$ 71	\$ 22,132	\$ 72,789		\$	\$ 94,992
Share-based compensation	24		1,069				1,069
Exercise of stock options net of shares presented for exercise	77	1	357				358
Net share settlement of restricted stock units and stock option tax w/h			(209)				(209)
Excess tax benefits on share-based compensation			356				356
Repurchase of common stock					30	(587)	(587)
Net income				7,593			7,593
Balance at December 31, 2015	7,170	\$ 72	\$ 23,705	\$ 80,382	30	\$ (587)	\$ 103,572

The accompanying notes are an integral part of these consolidated financial statements.

UFP TECHNOLOGIES, INC.

Consolidated Statement of Cash Flows

(In thousands)

	Years Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income from consolidated operations	\$ 7,593	\$ 7,559	\$ 11,276
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,846	4,376	4,084
Loss on sales of property, plant and equipment	27	5	11
Share-based compensation	1,069	1,119	924
Deferred income taxes	437	1,232	740
Excess tax benefits on share-based compensation	(356)	(1,219)	(818)
Changes in operating assets and liabilities, net of effects from acquisition:			
Receivables, net	(1,011)	562	804
Inventories	(1,309)	(1,845)	(1,353)
Prepaid expenses	(266)	26	(36)
Refundable income taxes	2,362	(436)	994
Accounts payable	(800)	2,317	(1,007)
Accrued expenses	152	(2,243)	1,272
Other liabilities	29	(181)	(417)
Other assets	325	(146)	(368)
Net cash provided by operating activities	13,098	11,126	16,106
Cash flows from investing activities:			
Additions to property, plant and equipment	(16,321)	(13,436)	(5,830)
Holdback payment related to the acquisition of Packaging Alternatives Corporation (PAC)			(600)
Redemption of cash value life insurance			37
Proceeds from sale of property, plant and equipment	53	112	1
Net cash used in investing activities	(16,268)	(13,324)	(6,392)
Cash flows from financing activities:			
Excess tax benefits on share-based compensation	356	1,219	818
Proceeds from the exercise of stock options, net of attestations	358	336	191
Principal repayment of long-term debt	(996)	(977)	(6,601)
Payment of statutory withholding for stock options exercised and restricted stock units vested	(209)	(831)	(879)
Repurchases of common stock	(587)		
Payment of contingent note payable		(800)	
Proceeds from long-term borrowings			580
Net cash used in financing activities	(1,078)	(1,053)	(5,891)
Net change in cash and cash equivalents	(4,248)	(3,251)	3,823
Cash and cash equivalents at beginning of year	34,052	37,303	33,480
Cash and cash equivalents at end of year	\$ 29,804	\$ 34,052	\$ 37,303

The accompanying notes are an integral part of these consolidated financial statements.

UFP TECHNOLOGIES, INC.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

UFP Technologies, Inc. (the Company) is an innovative designer and custom converter of foams, plastics, composites and natural fiber products principally serving the medical, automotive, consumer, electronics, industrial and aerospace and defense markets. The Company was incorporated in the State of Delaware in 1993.

(a) Principles of Consolidation

The consolidated financial statements include the accounts and results of operations of UFP Technologies, Inc., its wholly-owned subsidiaries, Moulded Fibre Technology, Inc., Simco Industries, Inc. and Stephenson & Lawyer, Inc. and its wholly-owned subsidiary, Patterson Properties Corporation. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including allowance for doubtful accounts and the net realizable value of inventory, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Fair Value Measurement

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurement or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

The Company has not elected fair value accounting for any financial instruments for which fair value accounting is optional.

(d) *Fair Value of Financial Instruments*

Cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities are stated at carrying amounts that approximate fair value because of the short maturity of those instruments. The carrying amount of the Company's long-term debt approximates fair value as the interest rate on the debt approximates the Company's current incremental borrowing rate.

(e) *Cash and Cash Equivalents*

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2015 and 2014, cash equivalents primarily consisted of money market accounts and certificates of deposit that are readily convertible into cash.

The Company maintains its cash in bank deposit accounts, money market funds, and certificates of deposit that at times exceed federally insured limits. The Company periodically reviews the financial stability of institutions holding its accounts, and does not believe it is exposed to any significant custodial credit risk on cash. The Company's main operating account with Bank of America exceeds federal depository insurance limit by approximately \$20.4 million.

(f) *Accounts Receivable*

The Company periodically reviews the collectability of its accounts receivable. Provisions are recorded for accounts that are potentially uncollectable. Determining adequate reserves for accounts receivable requires management's judgment. Conditions impacting the realizability of the Company's receivables could cause actual asset write-offs to be materially different than the reserved balances as of December 31, 2015.

(g) *Inventories*

Inventories include material, labor, and manufacturing overhead and are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

The Company periodically reviews the realizability of its inventory for potential excess or obsolescence. Determining the net realizable value of inventory requires management's judgment. Conditions impacting the realizability of the Company's inventory could cause actual asset write-offs to be materially different than the Company's current estimates as of December 31, 2015.

(h) *Property, Plant, and Equipment*

Property, plant, and equipment are stated at cost and are depreciated or amortized using the straight-line method over the estimated useful lives of the assets or the related lease term, if shorter.

Estimated useful lives of property, plant, and equipment are as follows:

	Shorter of estimated useful life or remaining lease term
Leasehold improvements	
Buildings and improvements	20 years
Machinery & Equipment	7 -10 years
Furniture, fixtures, computers & software	3 - 7 years

Property, plant, and equipment amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value.

(i) *Goodwill*

Goodwill is tested for impairment annually, and will be tested for impairment between annual tests if an event occurs or circumstances change that would indicate that the carrying amount may be impaired. Impairment testing for goodwill is done at a reporting unit level. Reporting units are one level below the business segment level, but can be combined when reporting units within the same segment have similar economic characteristics. An impairment loss generally would be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. The Company consists of a single reporting unit. We last performed step 1 of the goodwill impairment test as of September 30, 2014. We utilized the guideline public company (GPC) method under the market approach and the discounted cash flows method (DCF) under the income approach to determine the fair value of the reporting unit for purposes of testing the reporting unit's carrying value of goodwill for impairment. The GPC method derives a value by generating a multiple of EBITDA through the comparison of the Company to similar publicly traded companies. The DCF approach derives a value based on the present value of a series of estimated future cash flows at the valuation date by the application of a discount rate, one that a prudent investor would require before making an investment in our equity securities. The key assumptions used in our approach included:

- The reporting unit's 2015 estimated financials and five-year projections of financial results, which were based on our strategic plans and long-range forecasts. Sales growth rates represent estimates based on current and forecasted sales mix and market conditions. The

profit margins were projected based on historical margins, projected sales mix, current expense structure and anticipated expense modifications.

- The projected terminal value which reflects the total present value of projected cash flows beyond the last period in the DCF. This value reflects a growth rate for the reporting unit, which is approximately the same growth rate of expected inflation into perpetuity.
- The discount rate determined using a Weighted Average Cost of Capital method (WACC), which considered market and industry data as well as Company-specific risk factors.
- Selection of guideline public companies which are similar to each other and to the Company.

As of September 30, 2014, based on our calculations under the above noted approach, the fair value of the reporting unit exceeded its carrying value by approximately \$69 million or 74%. In performing these calculations, management used its most reasonable estimates of the key assumptions discussed above. If our actual operating results and/or the key assumptions utilized in management's calculations differ from our expectations, it is possible that a future impairment charge may be necessary.

The Company's annual impairment testing date is December 31. The Company performed a qualitative assessment (step 0) as of December 31, 2015, and determined that it was more likely than not that the fair value of its reporting unit exceeded its carrying amount. As a result, the Company is not required to proceed to a step 1 impairment assessment. Factors considered included the 2014 step 1 analysis and the calculated excess fair value over carrying amount, financial performance, forecasts and trends, market cap, regulatory and environmental issues, macro-economic conditions, industry and market considerations, raw material costs and management stability.

(j) *Intangible Assets*

Intangible assets with a definite life are amortized on a straight-line basis, with estimated useful lives ranging from 5 to 14 years. Intangible assets with a definite life are tested for impairment whenever events or circumstances indicate that their carrying values may not be recoverable.

(k) *Revenue Recognition*

The Company recognizes revenue at the time of shipment when title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, performance of its obligation is complete, its price to the buyer is fixed or determinable, and the Company is reasonably assured of collection. If a loss is anticipated on any contract, a provision for the entire loss is made immediately. Determination of these criteria, in some cases, requires management's judgment.

(l) *Share-Based Compensation*

When accounting for equity instruments exchanged for employee services, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant).

The Company issues share-based awards through several plans that are described in detail in Note 11. The compensation cost charged against income for those plans is included in selling, general & administrative expenses as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Share-based compensation expense	\$ 1,069	\$ 1,119	\$ 924

The compensation expense for stock options granted during the three-year period ended December 31, 2015, was determined as the fair value of the options using the Black Scholes valuation model. 2013 compensation expense for stock options granted prior to January 1, 2012, was

determined as the fair value of the options using a lattice-based option valuation model. The assumptions are noted as follows:

	Year Ended December 31,		
	2015	2014	2013
Expected volatility	31.5% - 32.3%	32.8% - 37.9%	34.0% - 50.0%
Expected dividends	None	None	None
Risk-free interest rate	1.0% - 1.2%	0.7% - 0.9%	0.4% - 0.7%
Exercise price	19.97 - \$ 22.36	22.55 - \$ 25.48	18.85 - \$ 21.67
Expected term	5.0 years	3.8 to 5.0 years	3.3 to 5.0 years
Weighted-average grant- date fair value	\$ 6.04	\$ 7.24	\$ 5.84

The stock volatility for each grant is determined based on a review of the experience of the weighted average of historical daily price changes of the Company's common stock over the expected option term, and the risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected term of the option. The expected term is calculated based on the simplified method.

The total income tax benefit recognized in the statement of operations for share-based compensation arrangements was approximately \$312,000, \$320,000 and \$280,000 for the years ended December 31, 2015, 2014 and 2013, respectively.

(m) Deferred Rent

The Company accounts for escalating rental payments on a straight-line basis over the term of the lease.

(n) Shipping and Handling Costs

Costs incurred related to shipping and handling are included in cost of sales. Amounts charged to customers pertaining to these costs are included in net sales.

(o) Research and Development

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On a routine basis, the Company incurs costs related to research and development activity. These costs are expensed as incurred. Approximately \$1.4 million, \$1.2 million and \$1.2 million were expensed in the years ended December 31, 2015, 2014 and 2013, respectively.

(p) Income Taxes

The Company's income taxes are accounted for under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax expense (benefit) results from the net change during the year in deferred tax assets and liabilities. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company evaluates the need for a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. Should the Company determine that it would not be able to realize all or part of its deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the

technical merits of the position. The tax benefits recognized in the consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in tax expense.

(q) *Segments and Related Information*

The Company follows the provisions of ASC 280, *Segment Reporting*, which establish standards for the way public business enterprises report information and operating segments in annual financial statements (see Note 17).

(r) *Treasury Stock*

The Company accounts for treasury stock under the cost method, using the first-in, first out flow assumption, and we include treasury stock as a component of stockholders' equity. During the year ended December 31, 2015, the Company repurchased 29,559 shares of common stock at a cost of approximately \$587,000.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This standard will replace most existing revenue recognition guidance when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition methods. In August 2015, the FASB issued an update to defer the effective date of this update by one year. The updated standard becomes effective for the Company in the first quarter of fiscal year 2018, but allows the Company to adopt the standard one year earlier if it so chooses. The Company is evaluating the effect that the updated standard will have on our Consolidated Financial Statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our consolidated financial position and results of operations.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. The amendments in this ASU require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this ASU are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in this ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We adopted the amendments in this ASU effective October 1, 2015, on a retrospective basis.

As a result of the adoption, the Company made the following adjustments to the 2014 balance sheet: a \$1.1 million decrease to current deferred tax assets and total current assets; and a \$1.1 million decrease to long-term deferred tax liabilities and total liabilities.

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In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for those leases previously classified as operating leases. The amendments in ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period with early adoption permitted. The Company is evaluating the impact of adopting this ASU on its consolidated financial position and results of operations.

(2) **Supplemental Cash Flow Information**

Cash paid for interest and income taxes is as follows (in thousands):

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	Years Ended December 31,		
	2015	2014	2013
Interest, net	\$ (29)	\$ 112	\$ 210
Income taxes, net of refunds	\$ 1,459	\$ 3,259	\$ 4,199

During the years ended December 31, 2015 and 2014, the Company permitted the exercise of stock options with exercise proceeds paid with the Company's stock (cashless exercises) totaling approximately \$36,000 and \$372,000, respectively.

(3) Receivables

Receivables consist of the following (in thousands):

	December 31,	
	2015	2014
Accounts receivable trade	\$ 17,980	\$ 16,972
Less allowance for doubtful receivables	(499)	(502)
	\$ 17,481	\$ 16,470

Receivables are written off against these reserves in the period they are determined to be uncollectible, and payments subsequently received on previously written-off receivables are recorded as a reversal of the bad debt provision. The Company performs credit evaluations on its customers and obtains credit insurance on a large percentage of its accounts, but does not generally require collateral. The Company recorded a provision for doubtful accounts of approximately \$16,000 and \$171,000 for the years ended December 31, 2015 and 2014, respectively.

(4) Inventories

Inventories consist of the following (in thousands):

	December 31,	
	2015	2014
Raw materials	\$ 7,506	\$ 7,145
Work in process	1,192	1,142
Finished goods	5,504	4,606
	\$ 14,202	\$ 12,893

(5) Other Intangible Assets

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The carrying values of the Company's definite-lived intangible assets as of December 31, 2015 and 2014 are as follows (in thousands):

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	Patents		Non-Compete		Customer List		Total	
Estimated useful life	14 years		5 years		5 years			
Gross amount at December 31, 2015	\$	429	\$	512	\$	2,046	\$	2,987
Accumulated amortization at December 31, 2015		(429)		(387)		(1,535)		(2,351)
Net balance at December 31, 2015	\$		\$	125	\$	511	\$	636
Gross amount at December 31, 2014	\$	429	\$	512	\$	2,046	\$	2,987
Accumulated amortization at December 31, 2014		(429)		(325)		(1,280)		(2,034)
Net balance at December 31, 2014	\$		\$	187	\$	766	\$	953

Amortization expense related to intangible assets was approximately \$318,000, \$393,000 and \$478,000, respectively, for the years ended December 31, 2015, 2014 and 2013. Future amortization for the years ending December 31 will be approximately (in thousands):

2016		318
2017		318
Total	\$	636

(6) Property, Plant, and Equipment

Property, plant, and equipment consist of the following (in thousands):

	December 31,	
	2015	2014
Land and improvements	\$ 3,191	\$ 1,613
Buildings and improvements	25,399	15,988
Leasehold improvements	2,839	2,897
Machinery & Equipment	51,016	47,756
Furniture, fixtures, computers & software	6,498	5,291
Construction in progress equipment	1,621	2,278
	\$ 90,564	\$ 75,823

Depreciation and amortization expense for the years ended December 31, 2015, 2014 and 2013, were approximately \$4.5 million, \$4.0 million, and \$3.6 million, respectively.

(7) Indebtedness

On December 2, 2013, the Company entered into an unsecured \$40 million revolving credit facility with Bank of America, N.A. The credit facility calls for interest of LIBOR plus a margin that ranges from 1.0% to 1.5% or, at the discretion of the Company, the bank's prime rate less a margin that ranges from 0.25% to zero. In both cases the applicable margin is dependent upon Company performance. Under the credit facility, the Company is subject to a minimum fixed-charge coverage financial covenant as well as a maximum total funded debt to EBITDA financial covenant. The credit facility was amended effective December 31, 2014, to modify the definition of consolidated fixed-charge coverage ratio. The Company was in compliance with all covenants at December 31, 2015. The Company's \$40 million credit facility matures on November 30,

2018.

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In conjunction with the execution of the credit facility, the Company fully paid approximately \$5.1 million in debt previously outstanding under the Company's prior credit facility with Bank of America, N.A., which was terminated on December 2, 2013. As of December 31, 2015, the Company had no borrowings outstanding under the credit facility.

On October 11, 2012, the Company entered into a loan agreement to finance the purchase of two new molded fiber machines. The annual interest rate is fixed at 1.83%. As of December 31, 2015, approximately \$5.0 million had been advanced on the loan and the outstanding balance was approximately \$1.9 million. The loan will be repaid over a five-year term. The loan is secured by the related molded fiber machines.

Long-term debt consists of the following (in thousands):

	December 31,	
	2015	2014
Equipment loans	\$ 1,870	\$ 2,866
Total long-term debt	1,870	2,866
Current installments	(1,011)	(993)
Long-term debt, excluding current installments	\$ 859	\$ 1,873

Aggregate maturities of long-term debt are as follows (in thousands):

Year ending December 31:	
2016	\$ 1,011
2017	859
	\$ 1,870

(8) Accrued Expenses

Accrued expenses consist of the following (in thousands):

	December 31,	
	2015	2014
Compensation	\$ 2,107	\$ 1,811
Benefits / self-insurance reserve	250	411
Paid time off	965	921
Commissions payable	319	164
Unrecognized tax benefits (including interest and penalties) (see Note 9)	315	425
Other	1,418	1,490
	\$ 5,374	\$ 5,222

(9) **Income Taxes**

The Company's income tax provision for the years ended December 31, 2015, 2014 and 2013 consists of the following (in thousands):

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	Years Ended December 31,		
	2015	2014	2013
Current			
Federal	\$ 3,131	\$ 2,638	\$ 4,353
State	580	336	824
	3,711	2,974	5,177
Deferred			
Federal	508	1,262	641
State	(71)	(30)	99
	437	1,232	740
Total income tax provision			
	\$ 4,148	\$ 4,206	\$ 5,917

At December 31, 2015, the Company had net operating loss carryforwards for federal income tax purposes of approximately \$415,000, which are available to offset future taxable income and expire during the federal tax year ending December 31, 2019. The future benefit of the federal net operating loss carryforwards will be limited to approximately \$300,000 per year in accordance with Section 382 of the Internal Revenue Code.

The approximate tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2015	2014
Deferred tax assets:		
Reserves	\$ 532	\$ 428
Inventory capitalization	407	264
Compensation programs	501	404
Retirement liability	27	35
Equity-based compensation	290	276
Net operating loss carryforwards	141	242
Deferred rent	10	36
Intangible assets	264	188
Total deferred tax assets	2,172	1,873
Deferred tax liabilities:		
Excess of book over tax basis of fixed assets	(4,186)	(3,471)
Goodwill	(869)	(848)
Total deferred tax liabilities	(5,055)	(4,319)
Net long-term deferred tax liabilities	\$ (2,883)	\$ (2,446)

The amounts recorded as deferred tax assets as of December 31, 2015, and 2014, represent the amount of tax benefits of existing deductible temporary differences or carryforwards that are more likely than not to be realized through the generation of sufficient future taxable income within the carryforward period. The Company has total deferred tax assets of \$2.2 million at December 31, 2015, that it believes are more likely than not to be realized in the carryforward period. Management reviews the recoverability of deferred tax assets during each reporting period.

The actual tax provision for the years presented differs from the expected tax provision for those years, computed by applying the U.S. federal corporate rate of 34.0% to income before income tax expense as follows:

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	Years Ended December 31,		
	2015	2014	2013
Computed expected tax rate	34.0%	34.0%	34.0%
Increase (decrease) in income taxes resulting from:			
State taxes, net of federal tax benefit	2.3	1.1	3.6
Meals and entertainment	0.3	0.3	0.1
R&D credits	(0.8)	(0.7)	(1.0)
Domestic production deduction	(2.5)	(1.4)	(2.4)
Non-deductible ISO stock option expense	0.4	0.4	0.2
Unrecognized tax benefits		1.3	(0.1)
Other	1.6	0.8	
Effective tax rate	35.3%	35.8%	34.4%

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company has not been audited by any state for income taxes with the exception of returns filed in Michigan which have been audited through 2004, income tax returns filed in Massachusetts which have been audited through 2007 and income tax returns filed in Florida which have been audited through 2009. The Company's federal tax return for 2008 has been audited. Federal and state tax returns for the years 2012 through 2014 remain open to examination by the IRS and various state jurisdictions.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits (UTB) resulting from uncertain tax positions is as follows (in thousands):

	December 31,	
	2015	2014
Gross UTB balance at beginning of fiscal year	\$ 230	\$ 275
Increases for tax positions of prior years		
Reductions for tax positions of prior years	(68)	(45)
Gross UTB balance at end of fiscal year	\$ 162	\$ 230

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of December 31, 2015 and 2014, are \$162,000 and \$230,000, respectively.

In addition, the total amount of accrued interest and penalties on uncertain tax positions at December 31, 2015 and 2014 are \$153,000 and \$195,000, respectively.

At December 31, 2015, all of the unrecognized tax benefits relate to tax returns of a specific state jurisdiction that are currently under examination. Accordingly, the Company expects a reduction of this amount during 2016, since the Company expects to resolve this examination in 2016.

(10) Net Income Per Share

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Basic income per share is based upon the weighted average common shares outstanding during each year. Diluted income per share is based upon the weighted average of common shares and dilutive common stock equivalent shares outstanding during each year. The weighted average number of shares used to compute both basic and diluted income per share consisted of the following (in thousands):

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	Years Ended December 31,		
	2015	2014	2013
Basic weighted average common shares outstanding during the year	7,115	7,028	6,824
Weighted average common equivalent shares due to stock options and restricted stock units	104	147	281
Diluted weighted average common shares outstanding during the year	7,219	7,175	7,105

The computation of diluted earnings per share excludes the effect of the potential exercise of stock awards, including stock options, when the average market price of the common stock is lower than the exercise price of the related options during the period. These outstanding stock awards are not included in the computation of diluted earnings per share because the effect would have been antidilutive. For the years ended December 31, 2015, 2014 and 2013, the number of stock awards excluded from the computation was 72,495, 53,651 and 78,908, respectively.

(11) Stock Option and Equity Incentive Plans

Incentive Plan

In June 2003, the Company formally adopted the 2003 Incentive Plan (the "Plan"). The Plan was originally intended to benefit the Company by offering equity-based incentives to certain of the Company's executives and employees, thereby giving them a permanent stake in the growth and long-term success of the Company and encouraging the continuance of their involvement with the Company's businesses. The Plan was amended effective June 4, 2008, to permit certain performance-based cash awards to be made under the Plan. The Plan was further amended on June 8, 2011, to increase the maximum number of shares of common stock in the aggregate to be issued to 2,250,000. The amendment also added appropriate language so as to enable grants of stock-based awards under the Plan to continue to be eligible for exclusion from the \$1,000,000 limitation on deductibility under Section 162(m) of the Internal Revenue Code (the "Code"). The Plan was further amended on March 7, 2013, to (i) prohibit the repricing of stock options or other equity awards without the consent of the Company's shareholders, and (ii) prohibit the Company from buying out underwater stock options.

Two types of equity awards may be granted to participants under the Plan: restricted shares or other stock awards. Restricted shares are shares of common stock awarded subject to restrictions and to possible forfeiture upon the occurrence of specified events. Other stock awards are awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of common stock. Such awards may include Restricted Stock Unit Awards ("RSUs"), unrestricted or restricted stock, incentive and non-qualified stock options, performance shares, or stock appreciation rights. The Company determines the form, terms, and conditions, if any, of any awards made under the Plan.

Through December 31, 2015, 1,178,449 shares of common stock have been issued under the 2003 Incentive Plan, none of which have been restricted. An additional 40,645 shares are being reserved for outstanding grants of RSUs and other share-based compensation that are subject to various performance and time-vesting contingencies. The Company has also granted awards in the form of stock options under this Plan. Through December 31, 2015, 170,000 options have been granted and 105,000 options are outstanding. At December 31, 2015, 882,156 shares or options are available for future issuance in the 2003 Incentive Plan.

Director Plan

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Effective July 15, 1998, the Company adopted the 1998 Director Plan, which was amended and renamed, on June 3, 2009, the 2009 Non-Employee Director Stock Incentive Plan (the Director Plan). The Director Plan was amended on March 7, 2013, to (i) prohibit the repricing of stock options or other equity awards without the consent of the Company's shareholders, and (ii) prohibit the Company from

buying out underwater stock options. The Director Plan, as amended, provides for the issuance of stock options and other equity-based securities of up to 975,000 shares to non-employee members of the Company's board of directors. Through December 31, 2015, 308,626 options have been granted and 165,205 options are outstanding. For the year ended December 31, 2015, 5,647 shares of common stock were issued and 153,202 shares remained available to be issued under the Director Plan.

The following is a summary of stock option activity under all plans:

	Shares Under Options	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding December 31, 2014	340,107	\$ 12.84		
Granted	18,844	20.14		
Exercised	(78,746)	5.03		
Cancelled or expired	(10,000)	18.85		
Outstanding December 31, 2015	270,205	\$ 15.40	3.80	\$ 2,311
Exercisable at December 31, 2015	222,706	\$ 14.20	4.04	\$ 2,166
Vested and expected to vest at December 31, 2015	270,205	\$ 15.40	3.80	\$ 2,311

During the years ended December 31, 2015, 2014 and 2013, the total intrinsic value of all options exercised (i.e., the difference between the market price and the price paid by the employees to exercise the options) was approximately \$1.3 million, \$3.4 million, and \$2.1 million, respectively, and the total amount of consideration received from the exercise of these options was approximately \$394,000, \$709,000, and \$416,000, respectively. At its discretion, the Company allows option holders to surrender previously owned common stock in lieu of paying the exercise price and withholding taxes. During the year ended December 31, 2015, 1,632 shares (1,632 for options and zero for taxes) were surrendered at an average market price of \$21.97. During the year ended December 31, 2014, 32,164 shares (14,931 for options and 17,233 for taxes) were surrendered at an average market price of \$25.42. During the year ended December 31, 2013, 26,662 shares were surrendered at an average market price of \$20.54.

During the years ended December 31, 2015, 2014 and 2013, the Company recognized compensation expense related to stock options granted to directors and employees of approximately \$282,000, \$354,000 and \$214,000, respectively.

On February 24, 2015, the Company's Compensation Committee approved the award of \$400,000 payable in shares of the Company's common stock to the Company's Chairman, Chief Executive Officer, and President under the 2003 Equity Incentive Plan. The shares were issued on December 22, 2015. The Company has recorded compensation expense of \$400,000 for the year ended December 31, 2015. Stock compensation expense of \$400,000 was also recorded in both 2014 and 2013 for similar awards.

On December 16, 2015, the Company issued 391 shares of unrestricted common stock to a non-employee member of the Company's Board of Directors as part of their retainer for serving on the Board. Based upon the closing price of \$22.36 on December 16, 2015, the Company recorded compensation expense of \$8,750 associated with the stock issuance for the year ended December 31, 2015.

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On June 10, 2015, the Company issued 5,256 shares of unrestricted common stock to the non-employee members of the Company's Board of Directors as part of their annual retainer for serving on the Board. Based upon the closing price of \$19.97 on June 10, 2015, the Company recorded

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compensation expense of \$105,000 associated with the stock issuance for the year ended December 31, 2015. The Company recorded compensation expense of \$122,000 and \$60,000 for similar awards in 2014 and 2013, respectively.

The Company grants RSUs to its executive officers. The stock unit awards are subject to various time-based vesting requirements, and certain portions of these awards are subject to performance criteria of the Company. Compensation expense on these awards is recorded based on the fair value of the award at the date of grant, which is equal to the Company's closing stock price, and is charged, to expense ratably during the service period. No compensation expense is taken on awards that do not become vested, and the amount of compensation expense recorded is adjusted based on management's determination of the probability that these awards will become vested. The following table summarizes information about stock unit award activity during the year ended December 31, 2015:

	Restricted Stock Units	Weighted Average Award Date Fair Value
Outstanding at December 31, 2014	35,088	\$ 17.87
Awarded	15,983	23.46
Shares distributed	(10,426)	18.35
Forfeited / Cancelled		
Outstanding at December 31, 2015	40,645	\$ 19.67

The Company recorded approximately \$274,000, \$237,000, and \$250,000 in compensation expense related to these RSUs during the years ended December 31, 2015, 2014 and 2013, respectively.

At the Company's discretion, RSU holders are given the option to net-share settle to cover the required minimum withholding tax, and the remaining amount is converted into the equivalent number of common shares. During the year ended December 31, 2015, 3,405 shares were redeemed for this purpose at an average market price of \$23.15. During the years ended December 31, 2014 and 2013, 9,878 and 22,089 shares were redeemed for this purpose at an average market price of \$25.88 and \$19.29, respectively.

The following summarizes the future share-based compensation expense the Company will record as the equity securities granted through December 31, 2015, vest (in thousands):

	Options	Common Stock	Restricted Stock Units	Total
2016	133		241	374
2017	44		195	239
2018	16		109	125
2019			16	16
Total	\$ 193	\$	\$ 561	\$ 754

Tax benefits totaling approximately \$356,000, \$1,219,000, and \$818,000 were recognized as additional paid-in capital during the years ended December 31, 2015, 2014 and 2013, respectively, since the Company's tax deductions exceeded the share-based compensation charge recognized for stock options exercised and RSUs vested.

(12) **Preferred Stock**

On March 18, 2009, the Company declared a dividend of one preferred share purchase right (a Right) for each outstanding share of common stock, par value \$0.01 per share on March 20, 2009, to the stockholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value

\$0.01 per share (the Preferred Share), of the Company, at a price of \$25.00 per one one-thousandth of a Preferred Share subject to adjustment and the terms of the Rights Agreement. The rights expire on March 19, 2019.

(13) Supplemental Retirement Benefits

The Company provides discretionary supplemental retirement benefits for certain retired officers, which will provide an annual benefit to these individuals for various terms following separation from employment. The Company recorded an expense of approximately \$4,000, \$23,000, and \$17,000 for the years ended December 31, 2015, 2014 and 2013, respectively. The present value of the supplemental retirement obligation has been calculated using a 4.0% discount rate, and is included in retirement and other liabilities. Total projected future cash payments for the years ending December 31, 2016 through 2019, are approximately \$25,000 for each year.

(14) Commitments and Contingencies

(a) Leases The Company has operating leases for certain facilities that expire through 2017. Certain of the leases contain escalation clauses that require payments of additional rent, as well as increases in related operating costs.

Future minimum lease payments under non-cancelable operating leases as of December 31, 2015, are as follows (in thousands):

Years Ending December 31,		Operating Leases
2016	\$	888
2017		376
Total minimum lease payments (a)	\$	1,264

(a) Minimum payments have not been reduced by minimum sublease rentals of approximately \$314,000 due in the future under non-cancelable subleases.

Rent expense amounted to approximately \$1.2 million, \$1.8 million, and \$2.0 million in 2015, 2014 and 2013, respectively.

(b) Legal The Company is a defendant in various administrative proceedings that are being handled in the ordinary course of business. In the opinion of management of the Company, these suits and claims should not result in final judgments or settlements that, in the aggregate, would have a material adverse effect on the Company's financial condition or results of operations.

(15) **Employee Benefit Plans**

The Company maintains a profit sharing plan for eligible employees. Contributions to the Plan are made in the form of matching contributions to employee 401k deferrals, as well as discretionary profit sharing amounts determined by the Board of Directors to be funded by March 15 following each fiscal year. Contributions were approximately \$750,000, \$750,000 and \$800,000 in 2015, 2014 and 2013, respectively.

The Company has a partially self-insured health insurance program that covers all eligible participating employees. The maximum liability is limited by a stop loss of \$200,000 per insured person, along with an aggregate stop loss determined by the number of participants.

The Company has an Executive, Non-qualified Excess Plan (the Plan), which is a deferred compensation plan available to certain executives. The Plan permits participants to defer receipt of part of their current compensation to a later date as part of their personal retirement or financial planning. Participants have an unsecured contractual commitment from the Company to pay amounts due under the Plan. There is currently no security mechanism to ensure that the Company will pay these obligations in the future.

The compensation withheld from Plan participants, together with gains or losses determined by the participants' deferral elections is reflected as a deferred compensation obligation to participants, and is classified within other liabilities in the accompanying balance sheets. At December 31, 2015 and 2014, the balance of the deferred compensation liability totaled approximately \$1.5 million for each period. The related assets, which are held in the form of a Company-owned, variable life insurance policy that names the Company as the beneficiary, are reported within other assets in the accompanying balance sheets, and are accounted for based on the underlying cash surrender values of the policies, and totaled approximately \$1.7 million and \$2.0 million as of December 31, 2015 and 2014, respectively.

(16) Fair Value of Financial Instruments

Financial instruments recorded at fair value in the balance sheets, or disclosed at fair value in the footnotes, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels defined by ASC 820, *Fair Value Measurements and Disclosures*, and directly related to the amount of subjectivity associated with inputs to fair valuation of these assets and liabilities, are as follows:

Level 1

Valued based on unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Valued based on either directly or indirectly observable prices for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3

Valued based on management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The Company has no assets and liabilities that are measured at fair value on a recurring basis.

(17) Segment Data

The Company consists of a single operating and reportable segment.

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Revenues from customers outside of the United States are not material. No customer comprised more than 10% of the Company's consolidated revenues for the year ended December 31, 2015. A vast majority of the Company's assets are located in the United States.

The Company's custom products are primarily sold to customers within the Medical, Automotive, Consumer, Electronics, Industrial and Aerospace and Defense markets. Sales by market for the fiscal years ended December 31, 2015 and 2014 are as follows (in thousands):

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Market	2015		2014	
	Net Sales	%	Net Sales	%
Medical	\$ 57,297	41.3%	\$ 50,092	36.0%
Automotive	26,879	19.4%	27,358	19.6%
Consumer	17,274	12.4%	17,661	12.7%
Electronics	13,218	9.5%	15,830	11.4%
Aerospace & Defense	13,154	9.5%	15,158	10.9%
Industrial	11,028	7.9%	13,208	9.5%
Net Sales	\$ 138,850	100.0%	\$ 139,307	100.0%

(18) Quarterly Financial Information (unaudited)

Summarized quarterly financial data is as follows (in thousands, except per share data):

2015	Q1		Q2		Q3		Q4	
Net sales	\$	33,977	\$	36,499	\$	34,441	\$	33,933
Gross profit		8,638		10,293		9,510		9,013
Net income		1,653		2,272		1,992		1,676
Basic net income per share		0.23		0.32		0.28		0.24
Diluted net income per share		0.23		0.32		0.28		0.23

2014	Q1		Q2		Q3		Q4	
Net sales	\$	34,609	\$	34,025	\$	35,406	\$	35,267
Gross profit		9,177		9,545		9,752		8,406
Net income		2,062		1,860		2,066		1,571
Basic net income per share		0.30		0.27		0.29		0.22
Diluted net income per share		0.29		0.26		0.29		0.22

(19) Plant Consolidation

On March 18, 2015, the Company committed to move forward with a plan to cease operations at its Raritan, New Jersey, plant and consolidate operations into its Newburyport, Massachusetts, facility and other UFP facilities. The Company's decision was in response to a continued decline in business at the Raritan facility and the recent purchase of the 137,000-square-foot facility in Newburyport. The activities related to this consolidation were substantially complete at December 31, 2015.

The Company also relocated all operations in its Haverhill, Massachusetts, and Byfield, Massachusetts facilities and plans to relocate certain operations in its Georgetown, Massachusetts facility to Newburyport. The Haverhill and Byfield relocations were complete at December 31, 2015 and the Georgetown relocation is expected to be complete by June 30, 2016.

The Company expects to incur approximately \$2.1 million in one-time expenses in connection with the Massachusetts consolidations. Included in this amount are approximately \$180,000 relating to employee severance payments and relocation costs, approximately \$1.5 million in moving

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expenses and expenses associated with vacating the Raritan, Haverhill and Byfield properties, and approximately \$360,000 in lease termination costs. Total cash charges are estimated at \$2.0 million. The Company expects annual cost savings of approximately \$1.0 million as a result of these consolidations. The actual costs incurred through December 31, 2015 are included in the table below.

On July 16, 2014, the Company committed to move forward with a plan to cease operations at its Costa Mesa, California, plant and consolidate operations into its Rancho Dominguez, California, facility and

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other UFP facilities. The Company's decision was in response to the December 31, 2014, expiration of the lease on the Costa Mesa facility as well as the close proximity of the two properties. The California consolidation is complete and the actual costs incurred are included in the table below.

On January 7, 2014, the Company committed to move forward with a plan to cease operations at its Glendale Heights, Illinois plant and consolidate operations into its Grand Rapids, Michigan, facility. The Company's decision was in response to a pending significant increase in lease cost, declining sales at the Illinois facility, and significant anticipated savings as a result of the consolidation. The consolidation into the Michigan facility is complete and the actual costs incurred are included in the table below.

The Company has recorded the following restructuring costs associated with the consolidations discussed above for the fiscal years ended December 31, 2015 and 2014 (in thousands):

Restructuring Costs	2015			2014		
	Massachusetts	California	Total	Michigan	California	Total
Employee severance	\$ 178	\$ 18	\$ 196	\$ 237	\$ 10	\$ 247
Relocation	1,138	66	1,204	356	501	857
Lease termination	356		356			
Workforce training				373		373
Plant infrastructure				79		79
Total restructuring costs	\$ 1,672	\$ 84	\$ 1,756	\$ 1,045	\$ 511	\$ 1,556

The 2015 costs were reclassified in the Consolidated Statement of Operations as Restructuring Costs as follows: \$1,669,000 from Cost of Sales, \$36,000 from Selling, General and Administrative expenses and \$51,000 from Gain on sales of property, plant and equipment. The 2014 costs were reclassified in the Consolidated Statement of Operations as Restructuring Costs as follows: \$1,385,000 from Cost of Sales, \$82,000 from Selling, General and Administrative expenses and \$89,000 from Gain on sales of property, plant and equipment.

(20) Related Party Transactions

On December 16, 2015, Daniel Croteau was appointed to our board of directors. Mr. Croteau is also the Chief Executive Officer of Vention Medical, Inc., a customer of the Company. Sales to Vention subsequent to Mr. Croteau joining the board were approximately \$5,000. At December 31, 2015, accounts receivable due from Vention were approximately \$33,000 and total sales to Vention for the year ended December 31, 2015 were approximately \$540,000.

UFP TECHNOLOGIES, INC.

Consolidated Financial Statement Schedule

Valuation and Qualifying Accounts

Years ended December 31, 2015, 2014 and 2013

Accounts receivable, allowance for doubtful accounts:

	2015		2014		2013	
Balance at beginning of year	\$	502	\$	512	\$	495
Provision credited to expense		16		63		22
Recoveries, net of write-offs		(19)		(73)		(5)
Balance at end of year	\$	499	\$	502	\$	512

Exhibit Index

Number	Description of Exhibit
3.01	Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, filed with the SEC on May 15, 2004 (SEC File No. 001-12648)).
3.02	Amended and Restated Certificate of Designation of Series A Junior Participating Preferred Stock of the Company (incorporated by reference to Exhibit 3.02 to the Company's Current Report on Form 8-K, filed with the SEC on March 24, 2009 (SEC File No. 001-12648)).
3.03	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.03 to the Company's Current Report on Form 8-K, filed with the SEC on March 24, 2009 (SEC File No. 001-12648)).
4.01	Specimen Certificate for shares of the Company's Common Stock (incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form S-1, filed with the SEC on December 15, 1993).
4.02	Description of Capital Stock (contained in the Certificate of Incorporation of the Company, as amended, filed as Exhibit 3.01 hereto).
4.03	Rights Agreement, dated as of March 20, 2009, by and between the Company and American Stock Transfer & Trust Company, LLC, as Rights Agent, which includes as <u>Exhibit A</u> , the Form of Amended and Restated Certificate of Designation of Series A Junior Participating Preferred Stock, as <u>Exhibit B</u> , the Form of Rights Certificate, and as <u>Exhibit C</u> , the Summary of Rights to Purchase Shares of Preferred Stock of UFP Technologies, Inc. (incorporated by reference to Exhibit 4.03 to the Company's Current Report on Form 8-K, filed with the SEC on March 24, 2009 (SEC File No. 001-12648)).
10.01	Facility Lease between the Company and Raritan Associates (incorporated by reference to Exhibit 10.22 to the Company's Registration Statement on Form S-1, filed with the SEC on December 15, 1993).
10.02	Amendment to Facility Lease between the Company and Raritan Johnson Associates, LLC (incorporated by reference to Exhibit 10.46 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the SEC on March 27, 2008 (SEC File No. 001-12648)).
10.03	Amendment to Facility Lease between the Company and Raritan Johnson Associates, LLC (incorporated by reference to Exhibit 10.05 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on March 13, 2015 (SEC File No. 001-12648)).
10.04	Facility Lease between the Company and Dana Evans d/b/a Evans Enterprises (incorporated by reference to Exhibit 10.27 to the Company's Registration Statement on Form S-1, filed with the SEC on December 15, 1993).
10.05	Form of Indemnification Agreement for directors and officers of the Company (incorporated by reference to Exhibit 10.30 to the Company's Registration Statement on Form S-1, filed with the SEC on December 15, 1993). #

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Number	Description of Exhibit
10.06	Lease Amendment III to the Facility Lease between the Company and Ward Hill Realty Associates, LLC, successors in interest to Evans Enterprises of South Beach (incorporated by reference to Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, filed with the SEC on November 13, 2002 (SEC File No. 001-12648)).
10.07	Facility Lease between Simco Automotive Trim, Inc. and Insite Atlanta, LLC (incorporated by reference to Exhibit 10.31 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, filed with the SEC on August 14, 2003 (SEC File No. 001-12648)).
10.08	Amendment to Facility Lease between Simco Automotive Trim, Inc. and Max Warehousing, L.L.C., successor in interest to Insite Atlanta, LLC (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on March 13, 2015 (SEC File No. 001-12648)).
10.09	Executive Non-qualified Excess Plan (incorporated by reference to Exhibit 10.41 to the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2006, filed with the SEC on November 13, 2006 (SEC File No. 001-12648)). #
10.10	UFP Technologies, Inc. 2003 Incentive Plan, as amended (incorporated by reference to Exhibit 10.65 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed with the SEC on May 10, 2013 (SEC File No. 001-12648)). #
10.11	Employment Agreement with R. Jeffrey Bailly dated October 8, 2007 (incorporated by reference to Exhibit 10.28 to the Company's Current Report on Form 8-K, filed with the SEC on October 12, 2007 (SEC File No. 001-12648)). #
10.12	Fourth Amendment to Facility Lease between the Company and Ward Hill Realty Associates, LLC (incorporated by reference to Exhibit 10.47 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the SEC on March 27, 2008 (SEC File No. 001-12648)).
10.13	2009 Non-Employee Director Stock Incentive Plan (incorporated by reference to Exhibit 10.66 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed with the SEC on May 10, 2013 (SEC File No. 001-12648)). #
10.14	Amendment No. 1 to Employment Agreement with R. Jeffrey Bailly (incorporated by reference to Exhibit 10.56 to the Company's Current Report on Form 8-K, filed with the SEC on March 8, 2011 (SEC File No. 001-12648)). #
10.15	Facility Lease between the Company and East Group Properties, LLP (incorporated by reference to Exhibit 10.60 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on March 11, 2012 (SEC File No. 001-12648)).
10.16	Facility Lease between the Company and Susana Property Co. (incorporated by reference to Exhibit 10.61 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2012, filed with the SEC on November 9, 2012 (SEC File No. 001-12648)).

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Number	Description of Exhibit
10.17	Amendment No. 2 to Employment Agreement with R. Jeffrey Bailly (incorporated by reference to Exhibit 10.62 to the Company's Current Report on Form 8-K, filed with SEC on February 22, 2013 (SEC File No. 001-12648)). #
10.18	Form of 2014 CEO Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 24, 2014 (SEC File No. 001-12648)). #
10.19	Form of 2014 Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 24, 2014 (SEC File No. 001-12648)). #
10.20	Credit Agreement between the Company and Bank of America, N.A., dated December 2, 2013 (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on March 14, 2014 (SEC File No. 001-12648)).
10.21	Amendment to Credit Agreement between the Company and Bank of America, N.A., dated March 9, 2015 (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on March 13, 2015 (SEC File No. 001-12648)).
10.22	Form of 2015 CEO Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 27, 2015 (SEC File No. 001-12648)). #
10.23	Form of 2015 Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 27, 2015 (SEC File No. 001-12648)). #
10.24	Form of 2016 CEO Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 26, 2016 (SEC File No. 001-12648)). #
10.25	Form of 2016 Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 26, 2016 (SEC File No. 001-12648)). #
21.01	Subsidiaries of the Company. *
23.01	Consent of Grant Thornton LLP. *
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.01	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
101.INS	XBRL Instance Document. *
101.SCH	XBRL Taxonomy Extension Schema Document. *
101.CAL	XBRL Taxonomy Calculation Linkbase Document. *
101.LAB	XBRL Taxonomy Label Linkbase Document. *

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Number	Description of Exhibit
101.PRE	XBRL Taxonomy Presentation Linkbase Document. *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. *

* Filed herewith.

** Furnished herewith.

Indicates management contract or compensatory plan or arrangement.

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