

February 2002

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In 1994, the CRTC introduced competition in the Canadian Telecommunications industry. At that time, business customers subsidized residential customers and urban customers subsidized rural. Long distance carriers like Bell Canada distributed these subsidies internally to their own customers, and through a settlement process to the Independent Local Exchange Carriers (ILECs). Since 1994, long distance rates have steadily dropped as competition was introduced. Most competitive providers of long distance have resented the amount of subsidy they were forced to pay in Canada, and have lobbied consistently to have them removed.

The highest rate of subsidy paid in Canada has been to rural residential customers, which Mornington has received through a Carrier Access Tariff based on long distance minutes and paid by the long distance carriers, in our case Bell Canada and AT&T Canada.

CRTC decision 2001-756 in December 2001 changed the method by which Mornington receives subsidy payments, and at the same time, substantially reduced that amount. In order to maintain sufficient cash flow to fund current operations, and to set aside funds for future replacement of equipment and other capital expenditures, your co-operative has decided to increase local residential rates to \$22.75 per month, substantially the same as the Bell Canada exchanges adjacent to us. There are no changes to business rates at this time. For a better understanding of the telecommunications industry and how it affects Independent Telephone Companies, we encourage you read the decisions at the CRTC web site, www.crtc.gc.ca. Customers can easily reach this site by going to www.mornington.ca selecting Telephone Services and then CRTC decisions. Our web page provides a brief synopsis and a direct link to the CRTC decision.

Please see the notice on Patronage Dividends.

Attention to all Co-operative Members

Dividend credits from 2001 are on your February billing. The Board of Directors approved a dividend rate of 8% for all customers whose account was in good standing as of November 30, 2001.

Dividends were calculated on the total amount of eligible services provided the Co-operative over the previous 12 months. All customers who received a dividend credit are members of the co-operative.

To become a member visit Mornington Communications Co-op Limited at 16 Mill St. East to complete a membership application. We will start calculating your 2002 dividends as soon as we receive your application.

What is  **?** See page 2
Connecting Everywhere

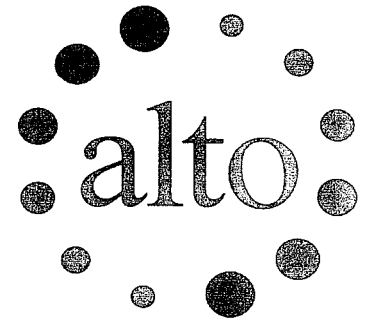
Notice of Annual Meeting

The Annual General Meeting of Mornington Communications Co-operative Limited will be held at the Recreation Complex on April 17, 2002 at 8:00 pm sharp.

There will be an election of Directors, with 2 three year and 1 one year positions eligible.

If you are interested in running as a Director for the Board please contact Rick Banks for rules and nomination forms. These forms must be received at the office by February 28th, 2002.

ALTO Long Distance- A New Voice in the Marketplace Introduced by Mornington Communications



Connecting Everywhere

The ALTO Alternative

In response to the changing marketplace, Mornington Communications is introducing ALTO Long Distance Services.

ALTO will offer you competitive long distance rates and packages. You'll be able to choose from several packages and rate structures geared for light or heavy users, residential or business lines.

A Familiar Voice

ALTO Long Distance will give you the same local service and same promise of reliability that you've grown to expect from Mornington Communications. The people that are working for ALTO are the people you already know – the staff at Mornington – who've always worked hard to ensure you have great service and a full range of telecommunication services. We know we'll have to work a little bit harder to keep your trust and earn your continued loyalty.

In Tune with Our Community

You'll be hearing from us soon to learn more about ALTO's range of services and rates, and which one is right for you. By choosing ALTO, you keep your business in the community. You'll help ensure that there's always a local and independent alternative to the big corporations. You'll have a lot of choices in the near future. We hope you'll see that ALTO is the best for you and your community - for long distance rates and for the quality of service in the long run. But no matter which long distance provider you pick, Mornington will be there for you. We'll continue to provide your basic line connection and offer you the same features and services as before.

In Tune with Change

Yes, things are certainly changing. But then again, in our business, things have been changing since the very beginning. From the very first telephone, to private lines, to digital technology, fibre optic cable and the Internet, we've always made the important connections between people in the community and across the world. There are a lot of new voices in the marketplace. But we've never forgotten the most important voice of all – yours!

For more information on ALTO Long Distance Services, visit our website at www.mornington.ca.
