

BY-LAW NO. 1

A by-law relating generally to the
transaction of the business and
affairs of

MORNINGTON COMMUNICATIONS CO-OPERATIVE LIMITED

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1. BE IT ENACTED as a by-law of the Corporation as follows:

**SECTION ONE
DEFINITIONS**

1.01 Definitions. - In this by-law of the co-op, unless the context otherwise requires:

“Act” means the Co-operative Corporations Act (Ontario), R.S.O. 1990, c. C.35, as amended from time to time, or any statute that may be substituted therefor, as amended from time to time;

“appoint” includes “elect” and vice versa;

“articles” mean the articles of incorporation of the Co-op as from time to time amended or restated;

“Board” means the board of directors of the Co-op and “director” means a member of the Board;

“by-laws” means this by-law and all other by-laws of the Co-op from time to time in force and effect;

“Canadian” shall have the identical meaning as the term “Canadian” is defined in the regulations to the Telecommunications Act, S.C. 1993, c.38, as amended from time to time.

“cheque” includes a draft;

“Co-op” means the co-operative corporation incorporated under the Act and named “Mornington Communications Co-operative Limited”;

“customer” a person who agrees to the ongoing monthly delivery and purchase of local dial tone, internet, cellular or digital television service(s) or any combination of monthly services that would exceed \$20.00 per month exclusive of taxes. In the case of a customer choosing to pay on an annual basis, the monthly equivalent of the annual fee must exceed \$20.00 exclusive of taxes.

“good standing” means that all charges for services and other levies lawfully assessed and due are paid in accordance with their terms, or are less than 30 days in arrears.

“insolvency” shall have the meaning set out in the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended from time to time.

SECTION TWO MEMBERSHIP

2.01 Automatic Membership. - Subject to Section 2.03, a person, who is the age of eighteen (18) years or over, or is a firm, association, corporation or subdivision thereof, automatically becomes a member of the Co-op upon becoming a customer of the Co-op, payment of the Subscription Price as detailed in Section 2.02 and approval of the Board. No person, trust, association, corporation, partnership or other entity however constituted shall be entitled to more than one member share.

2.02 Member Share. - Upon becoming a customer of the Co-op, a person is required to pay the sum of \$1.00 (“Subscription Price”) as payment for the Member Share.

2.03 Application. - Upon written application to the Co-op, a customer may elect to decline to become a member of the Co-op by completing an election form at the time of request for initial service from the Co-op, and upon approval of the election by the Board of Directors of the Co-op, the customer will cease to be a member. The election to decline membership will not in any way prejudice the customer’s right to receive service from the Co-op, however, such customer will not be eligible to receive a patronage dividend or any other membership benefit.

2.04 Non-Transferable. - No member may hold more than one member share in the Co-op and no member shares in the Co-op shall be transferable except as provided in these by-laws.

2.05 Member Share Certificates. - Membership in the Co-op shall be evidenced by a member share certificate which shall be in such form and shall contain such provisions as shall be determined by the Board. No member share certificate shall be issued for less than the par value stated in the articles, nor until such par value has been fully paid. Member share certificates must be registered in the name of the individuals or corporations. Member Share Certificates in respect of an association, trust, partnership or other entity shall be registered in the name of an individual designated by the entity as nominee for the beneficial holders.

2.06 Member a Customer. - Each member is required to be and remain a customer in good standing of the Co-op. A member terminating service as a customer, or a customer who terminates sufficient services to fall below the eligible threshold of \$20.00 per month in services, shall be deemed to have given notice of resignation as a member on the date of such termination. Seasonal suspension of service will not be considered a termination of service by a member for the purpose of this Section 2.06. The determination of whether a member’s termination is a seasonal suspension of service shall be at the sole discretion of the Board. Exchange and interchange carriers who together with the Co-op provide telecommunication services to members, are excluded from becoming members.

2.07 Restrictions or Transfers. - Member shares in the Co-op shall not be transferred unless authorized by the Board and membership shall terminate with the death of the member, insolvency, dissolution, liquidation, or wind-up as the case may be of the member.

2.08 Resignation. - A member may withdraw from membership in the Co-op by giving to the Secretary of the Co-op six months notice of the member's intention to withdraw.

2.09 Expulsion. - A member may be expelled from membership by the Board in accordance with procedures for expulsion set out in the Act.

2.10 Investment Repaid. - A person whose membership has been terminated under Section 2.08 or Section 2.09, shall be repaid the amount of the Subscription Price and such other amounts in the manner prescribed by the Act.

2.11 Agreement. - By becoming a member, such person agrees to comply with and be bound by the articles and by-laws of the Co-op, as amended from time to time.

**SECTION THREE
MEETINGS OF MEMBERS**

3.01 Meetings of Members. - The annual meeting of members shall be held at such place within the service area of the Co-op, and at such date and time as the Board may from time to time determine, but in any event, such annual meeting shall be held not more than 15 months after the holding of the last preceding annual meeting.

3.02 General Meetings. - Other meetings of members may be convened by order of the President, Vice President, the Board, or upon requisition of 5% of the total membership, at any time and for any place within the service area of the Co-op, and the Secretary shall send the requisite notice of such meeting to members of the Co-op.

3.03 Business at General Meeting. - At a general meeting of the members of the Co-op only the business stated in the notice calling such a meeting may be transacted.

3.04 Notice of Annual and General Meetings. - Notice of any annual meeting or other general meeting of the members of the Co-op shall be deemed to be well and sufficiently given if such notice is sent at least 10 days and no more than 50 days prior to the date fixed for the holding of such meeting and addressed to each registered member.

3.05 Accidental Omission of Notice. - When notice is received generally by the persons or corporations entitled to receive such notices, the accidental omission to give notice to any member, or the non-receipt of any notice by any other member, shall not invalidate any resolution passed or any proceedings taken at such meeting.

3.06 No Notice.- Notwithstanding anything contained in these by-laws, no notice of any annual or other meeting of the members shall be necessary:

- (a) where all the members entitled to vote at such meeting are present in person, and the case of an annual meeting, consent to the transaction of the business for which such meeting is being held; or
- (b) where all members entitled to vote at such meeting who are not present either before or after the meeting waive in writing notice of the meeting, or in the case of a meeting other than the annual meeting, notice of the meeting and the purpose for which it is being held.

3.07 Members to Have Only One Vote. - At any meeting of members, each shall have only one vote regardless of the number of shares that member holds. If the member is not in good standing with the Co-op, that member's vote will be suspended until such time as the standing shall be solely determined by the Board.

3.08 Voting by Corporation. - A corporate member may appoint under its corporate seal any of its directors or officers to attend and vote on its behalf at meetings of members. A partnership or association may, by resolution in accordance with its by-laws or constituting documents, appoint a nominee to attend and vote on its behalf. A trust may act through one of its trustees so authorized by all trustees of such trust.

3.09 Proxy Voting Prohibited.- No member shall vote by proxy at any meeting of members of the Co-op.

3.10 Quorum. - Quorum at any meetings of members shall be those members that are present at such meeting.

3.11 Chair. - The chair of any meeting of members shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: Chair or President. If no such officer is present, the members present shall choose one of their members to be chair of the meeting.

3.12 Votes to Govern. - At any meeting of members every question shall, unless otherwise required by the articles or by-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairperson of the meeting shall not be entitled to a second or casting vote.

3.13 Show of Hands. - Subject to the Act, any question at a meeting of members shall be decided by a show of hands, unless a ballot thereon is required or demanded as hereinafter provided, and upon a show of hands every member who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is required or demanded, a declaration by the chair of the meeting, that the vote upon the question has been carried or carried by a particular majority or not carried and entry to that effect has been made in the minutes of the meeting, shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the members upon the said question.

3.14 Ballots. - On any question proposed for consideration at a meeting of members and whether or not a show of hands has been taken thereon, the chair may require a ballot or any member who is present and entitled to vote on such question at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chair shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot.

3.15 Adjournment. - The chair at a meeting of members may, with the consent of the meeting and subject conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of members is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement of the new meeting date at the earliest meeting that is adjourned. Subject to the Act, if a meeting of members

is adjourned by one or more adjournments for an aggregate of 30 days, or more, notice of the adjourned meeting shall be given as for an original meeting.

SECTION FOUR DIRECTORS

4.01 General Powers. - The business and affairs of the Co-op shall be managed by the Board as elected or appointed in accordance with the Act, articles, and the by-laws.

4.02 Number of Directors. - Until changed in accordance with the Act, the Board shall consist of six directors.

4.03 Qualifications. - In order to be eligible to become or remain a director of the Co-op, a person shall:

- a) be a Canadian, a member and customer of the Co-op;
- b) not be an employee or have an immediate family member who is an employee, of the Co-op;
- c) not in any way be employed or financially interested in another business engaged in selling telephone services or supplies or constructing or maintaining telephone facilities;
- d) be 18 years of age or older;
- e) be of sound mind and not be or have been found by a court in Canada or elsewhere to be of unsound mind;
- f) not have the status of bankrupt; or
- g) at all times, three Directors known as “Restricted Directors” must reside within the geographic boundaries of the 595 telephone exchange serviced by the Co-op for a period of greater than two hundred and forty (240) days during the previous twelve (12)month period. All other Directors are “unrestricted” as to residence status.

Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions the Board shall remove such director from office.

To be eligible for election or appointment as a director a member must:

- a) be present at the meeting when the election or appointment takes place and at such meeting the member must signify the willingness to act, if elected or appointed; or

- b) if not present at such meeting, the person nominating the member must prior to or at the time of the nomination, produce and deposit with the chair in charge of the meeting, a written consent from the member to act as a director if elected or appointed as the case may be.

4.04 Election and Tenure of Office. - All directors shall be elected from the membership of the Co-op. After the Annual Meeting and election in 1999, five Directors commenced staggered terms. For the election of Directors in 2010, one additional Director will be added bringing the total to six. Director's terms will be adjusted to ensure that no more and no less than two Directors will be eligible for election each year. One of these Directors will be a "Restricted Director" and one may be an "Unrestricted Director as per 4.02 g) above. The two candidates with the highest vote totals will serve for a three-year term. In the case where two candidates with the highest vote totals are both Unrestricted Directors, only one will be eligible. Therefore, the first "Restricted Director" with the highest vote total will be the other Director. In the event that only "Restricted Directors" are approved as candidates to run in the election, the two highest vote totals will be the new Directors. In the event of a tie ballot, there shall first be a recount, and if the vote remains tied, the two members will run in a special election. This run-off election will be held immediately after the main election. Sufficient ballots will be completed to determine a winner. In order to enable this changed rotation three candidate positions will be open for office in 2010. Two or more candidates seeking election will each run for three year terms, one of whom must qualify as a Restricted Director and one candidate will run for a one year term, and may, but is not required to qualify as a Restricted Director. Thereafter, and until changed in accordance with the Act, two candidate positions will be open for re-election each year, one of whom must qualify as a Restricted Director.

4.05 Representation and Nominations. - When directors are to be elected, the Board shall select a Nominating Committee composed of three (3) persons, two (2) non-Board members and the Secretary. The Nominating Committee shall select at least one member for each vacancy. Existing directors may stand for re-election. The members nominated by the Committee shall then be required to have a Petition signed by at least ten (10) members and the Petition must be filed with the Co-op by March 1 of the year of the annual meeting at which the election is to be held. Should other members wish to run as a Director, they shall also be required to file a Petition signed by at least ten (10) members and the Petition must be filed with the Co-op by March 1 of the year of the annual meeting at which the election is to be held. All members with Petitions properly signed in accordance with the by-laws shall have their names placed on the election ballot at the annual meeting. Such ballots shall be dispensed to members eligible to vote at the annual meeting.

If only one nomination exists for a vacant position, that person shall be deemed to be elected by acclamation without the necessity for voting by ballot.

4.05.01- Refundable Security Deposit:

All members with Petitions properly signed in accordance with the by-laws shall have their names placed on the election ballot at the annual meeting upon the Co-operative receiving a \$100.00 refundable security deposit. The security deposit will not bear interest and would be returned to the member upon completion of any one of the following conditions:

1. Member participates in the election but is not successful.
2. Member participates in the election and is successful.
3. Member withdraws from the election at least five (5) business days prior to the date of the Annual Meeting.

The refundable security deposit would be returned to the member within two (2) weeks following the election of directors at the Annual Meeting.

4.06 Ballot. - All directors shall be elected by secret ballot. Any ballot which contains the names of more or less than the number required to be elected shall be void. Each candidate for director shall be declared elected as a director if the candidate has obtained a majority of the votes cast for the purpose of electing such candidate.

4.07 Removal of Directors. - Subject to the Act, the members may by ordinary resolution passed at a general meeting of members called for that purpose, remove any director from office. Any vacancy created thereby shall be filled at such meeting by the members.

4.08 Vacation of Office. - A director ceases to hold office when such director: dies; is removed from office by the members; ceases to be qualified for election as a director; or submits a written resignation which is received by the Co-op, or if a time is specified in such resignation, at is the time so specified, whichever later.

4.09 Vacancies. - Whenever any vacancy occurs on the Board and subject to the articles, the remaining directors thereof, so long as there is a quorum in office, may fill the vacancy from among members having the necessary qualifications. The member so appointed shall immediately take and hold the office for the remainder of the term of the elected director whose office has been vacated. Where the number of directors is increased, the vacancy resulting from such increase shall only be filled by election at a general meeting of the members duly called for that purpose.

4.10 Vacancy where no quorum. - When there is not a quorum of directors in office, the director or directors then in office shall forthwith call a general meeting of the members to fill the

vacancy, and, in default or if there are no directors then in office, the meeting may be called by any member.

4.11 Compensation. - Directors are to receive an annual allowance to be paid in June and December of each year. The annual allowance is to be passed by a Special Resolution of the Board and approved by the members at the next members meeting. In addition, the Board may authorize a fixed sum for each day or portion thereof spent on Co-op business. Such business would include attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Co-op business or granted a reasonable per diem allowance by the Board in lieu thereof. No director shall receive compensation for serving the Co-op in any other capacity nor shall any close relative of a director receive compensation for serving the Co-op unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service of the director or that director's close relative shall have been certified by the Board as emergency measure. For the purpose of this section, close relative includes parents, husband, wife, children, grandchildren, brothers and sisters by blood, by marriage, or by adoption and spouses of any of the foregoing.

4.12 Conflict of Interest. - A director who is a party to, or who is a director or officer of or has material interest in any person who is a party to, a material contract or transaction or proposed material contract or transaction with the Co-op shall disclose to the Co-op the nature and extent of the director's interest at the time and in the manner provided by the Act. Such a director shall not vote on any resolution to approve the same except as provided by the Act.

4.13 Deemed Resignation. - Any director who fails to attend at least 75% of the regular meetings of the Board held during any year shall be deemed to have resigned as director, unless such absence has been approved by the Board.

SECTION FIVE COMMITTEES

5.01 Executive Committee. - Where the number of directors of the Co-op is greater than six (6), the board may elect from among themselves a committee known as the Executive committee consisting of not fewer than three (3) directors and may delegate to the executive committee any powers of the Board, subject to the restrictions, if any, contained in the by-laws or imposed from time to time by the Board.

5.02 Audit Committee. - The Board may elect annually from among themselves a committee known as the Audit Committee consisting of not fewer than three (3) directors, of whom a majority shall not be officers or employees of the Co-op to hold office until the next annual meeting of the members. If such committee is constituted, the Co-op shall submit the financial statements to the Audit Committee for its review and the financial statements shall thereafter be submitted to the Board.

5.03 Transaction of Business. - The powers of the Executive or Audit Committees of the Board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committees may be held at any place in Ontario.

5.04 Advisory Bodies. - The Board may from time to time appoint such advisory bodies as it may deem advisable.

5.05 Procedure. - Unless otherwise determined by the Board, each committee and advisory body shall have power to fix its quorum at not less than a majority of its members, to elect its chair and to regulate its procedures.

SECTION SIX MEETINGS OF DIRECTORS

6.01 Regular Meetings. - A regular meeting of the Board shall be held without notice immediately after and at the same place as the annual meeting of the members. A regular meeting of the board shall also be held monthly, or more frequently, at such time and place within the service area of the Co-op as the Board may provide. Such regular monthly meeting may be held without notice.

6.02 Special Meetings. - Special meetings of the Board may be called by the President or by any two directors and shall thereupon be the duty of the Secretary to cause notice of such meetings to be given as hereinafter provided. The President or the directors calling the meeting shall fix the time of the meeting but the place of the meeting shall always be at the office of the Co-op and not elsewhere unless agreed upon by a majority of the Board.

6.03 Notice of Board Meetings. - Written notice of the time and place and purpose of any special meeting of the Board shall be delivered to each director and not less than five days previous thereto, provided always that any meetings of the said directors may be held at any time without formal notice if all of the directors are present or those absent have waived notice or have signified their consent in writing to the meeting being held in their absence. Notice of any meeting or any irregularity in any meeting or notice thereof may be waived by a director.

6.04 Meeting by Telephone. - If all the directors of the Co-op consent thereto generally or in respect of a particular meeting, a director may participate in a meeting of the Board or of a committee of the Board by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other, simultaneously and instantaneously, and a director participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the Board.

6.05 Quorum. - A majority of the Board shall constitute a quorum provided that if less than such majority of the directors is present at a meeting, a majority of the directors present may adjourn the meeting from time to time; and provided further that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of a majority of the directors present at a meeting at which a quorum is present shall be the Act of the Board, except as otherwise provided in these by-laws.

6.06 Chair. - The chair of any meeting of the Board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: Chair, Vice Chair or President. If no such officer is present, the directors present shall choose one of their number to be chair.

6.07 Votes to Govern. - At all meetings of the Board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes, the chair of the meeting shall not be entitled to a second or casting vote.

6.08 Requisition of Meeting. - 10% of the members of the Co-op may requisition the directors to call a meeting of the Board for the purpose of passing any by-law or resolution that may properly be passed at a meeting of the Board duly called, constituted and held for that purpose. The requisition shall set out the by-law or resolution, as the case may be, that is required to be at the head office of the Co-op, and may consist of several documents in like form, each signed by one or more of the members requisitioning the meeting.

SECTION SEVEN OFFICERS

7.01 Number. - The officers of the Co-op shall be a President, Chair, Secretary, Treasurer and such other officers, including a Vice Chair or General Manager, as may be determined by the Board from time to time. The offices of Secretary, of Treasurer and of General Manager may be held by the same person. The offices of President and of Chair may be held by the same person. The President and Chair must also be a director of the Co-op.

7.02 Election and Term of Office. - The offices of President and Chair shall be elected annually by the Board at the meeting of the Board held immediately after the annual meeting of the members. If the election for officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until a successor shall have been elected and shall have qualified. The vacancy in any office shall be filled by the Board for the unexpired portion of the term.

7.03 Removal of Officers by Directors. - Any officer elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Co-op will be served thereby.

7.04 President and Chair. - The President and Chair shall have such duties as are assigned to them by the Board from time to time.

7.05 Secretary. - The Secretary shall be responsible for:

- a) Keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;
- b) Seeing that all notices are duly given in accordance with these by-laws or as required by law.
- c) The safekeeping of the corporate books and records and the seal of the Co-op and affixing the seal of the Co-op on all share certificates prior to the issuance thereof and to all documents, the execution of which on behalf of the Co-op under its seal is duly authorized in accordance with the provisions of these by-laws;
- d) Keeping the following records:
 - i) a copy of the articles of the Co-op and any amendments thereto;
 - ii) all by-laws and resolutions, including special resolutions, of the Co-op;
 - iii) a register of past and current members and shareholders, set out

alphabetically;

- iv) the number and class of shares held by each shareholder;
- v) the address of each member and shareholder;
- vi) a register of directors in which is set out the names and residence addresses while directors, of all persons who are or have been directors of the Co-op with the dates that each became and or ceased to be a director;
- vii) and in general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board.

7.06 Treasurer. - The Treasurer shall:

- a) Have charge and custody of and be responsible for all funds and securities of the Co-op;
- d) Be responsible for the receipt of and the issuance of receipts for all moneys due and payable to the Co-op and for the deposit of all such moneys in the name of the Co-op in such bank or banks as shall be selected in accordance with the provisions of these by-laws, and
- c) In general, perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board.

7.07 Compensation. - The powers duties and compensation of officers and employees shall be fixed by the Board subject to the provisions of these by-laws with respect to compensation for the members of the Board.

7.08 Conflict of Interest. - An officer shall disclose an interest in any material contract or transaction or proposed material contract or transaction with the Co-op in accordance with Section 4.12.

SECTION EIGHT
PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

8.01 Limitation of Liability. - Every director and officer of the Co-op in exercising such director's and officer's powers and discharging such director's and officer's duties shall act honestly and in good faith with a view to the best interests of the Co-op and exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer shall be liable for the acts, receipts, neglects or defaults of any other director, or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Co-op through the insufficiency or deficiency of title to any property acquired for or on behalf of the Co-op, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Co-op shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Co-op shall be deposited, or for any other loss, damage or misfortune which shall happen in the execution of the duties of such person's office or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

8.02 Indemnity. - Subject to the Act, the Co-op shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Co-op's request as a director or officer of a body corporate of which the Co-op is or was a shareholder or creditor, and such person's heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by such person in respect of any civil, criminal or administrative action or proceeding to which such person is made a party by reason of being or having been a director or officer of the Co-op or such body corporate, if (a) such person acted honestly and in good faith with a view to the best interests of the Co-op; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, such person had reasonable grounds for believing that the conduct was lawful. The Co-op shall also indemnify such person in such other circumstances as the Act of law permits or requires. Nothing in this by-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this by-law.

8.03 Insurance. - Subject to the Act, the Co-op may purchase and maintain such insurance for the benefit of any person referred to in Section 8.02 hereof as the Board may from time to time determine.

SECTION NINE SHARES

9.01 Allotment of Shares. - Subject to the Act, articles and the by-laws, the Board may by resolution, from time to time allot the whole or any part of the authorized and unissued shares of the Co-op at such times and to such persons and for such consideration as the Board shall determine.

9.02 No Commissions. - There shall be no commission whatsoever paid to any person by the Co-op on the account of that person purchasing or agreeing to purchase shares of the Co-op, whether from the Co-op or from any other person, or procuring or agreeing to purchase shares of the Co-op, whether from the Co-op or from any other person, or procuring or agreeing to procure purchases for any such shares.

9.03 Share Certificates. - Every holder of one or more shares of any class of the Co-op shall be entitled, at the holder's option, to a share certificate, or to a non-transferable written certificate of acknowledgment of the right to obtain a share certificate, stating the number and class or series of shares held by the holder as shown on the securities register. Such certificates may be manually signed, or such signatures may be printed, engraved, lithographed or otherwise mechanically reproduced by mechanical means, as determined by the Board from time to time, by such officers as provided in this by-law or as directed by the Board. The Board may appoint a transfer agent who will have the authority to execute share certificates on behalf of the Co-op.

9.04 Replacement of Share Certificates. - The Board or any officer or agent designated by the Board may in its or that person's discretion direct the issue of a new share or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, apparently destroyed or wrongfully taken on payment of such reasonable fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the Board may from time to time prescribe, whether generally or in any particular case.

9.05 Lien for Indebtedness. - The Co-op shall have a lien on any shares registered in the name of a shareholder indebted to the Co-op and such lien may be enforced, subject to the articles, by the sale of the shares thereby affected or by any other action, suit, remedy or proceeding authorized or permitted by law or by equity and, pending such enforcement, the Co-op may refuse to register a transfer of the whole or any part of such shares.

9.06 Transferable on Consent. - No shares of the Co-op may be transferred unless authorized by the Board, and unless such transfer is authorized by the Act, the articles and by-laws.

9.07 Surrender of Certificates. - No transfer, redemption or purchase for cancellation shall be recorded unless or until the certificate representing such shares has been surrendered to the Co-op and cancelled.

**SECTION TEN
DISTRIBUTION OF SURPLUS**

10.01 To Members. - Subject to regulatory approval, the net surplus arising from the business of the Co-op in each fiscal year shall, subject to Section 10.02 hereof, be allocated, credited, or paid to the members in proportion to the value of business directly billed to them by the Co-op.

10.02 Reserves and Dividends. - Before any part of the net surplus is allocated, credited or paid to members, the Board may set aside such reserves as they deem advisable, or is required by the Co-op's regulator, and subject to the articles, the Board may also pay dividends on its share capital at a rate not exceeding that prescribed by the Act.

10.03 Patronage Return. - The amount allocated, credited or paid to members in each fiscal year shall be known as the patronage return.

10.04 Determination of Distribution. - The distribution of the net surplus shall be determined by resolution of the Board.

10.05 Patronage Loans. - Upon resolution of the Board, each member of the Co-op in a fiscal year may be required to invest the whole or such portion of that member's patronage return as the Board may require in the form of a loan. Such loans shall be repaid within such time as the Board shall determine and shall be known as "Patronage Loans". The amount of Patronage Loans shall be shown on the Co-op's balance sheet separately from other investments and loans. The Patronage Loans shall bear interest at such rate as may be determined by the Board from time to time, but in any event not to exceed that prescribed by the Act.

10.06 Investment of Patronage Returns in Preference Shares. - In each fiscal year, the whole, or such part, as the Board may by resolution determine, of the patronage return of each member may be applied to the purchase for the member of a stated number of unissued shares of the Co-op or a stated number of issued shares of the Co-op if obtainable. If the amount to be applied to the purchase of such shares is not sufficient to pay for them in full, it shall be applied towards the purchase of as many fully paid shares as such amount will purchase and the balance shall be credited to the member on the books of the Co-op as a loan which may be applied by the Co-op along with patronage returns of subsequent years toward the purchase of fully paid shares.

It shall not be necessary for any member to make an application for the shares to be purchased pursuant to this section, and the Board may allot such shares without an application.

10.07 Agreement re: Patronage Returns. - The Board may from time to time provide that each member of the Co-op shall sign an agreement in such form as the directors may prescribe, authorizing the directors to apply all or part of such member's patronage returns in payment of shares already subscribed, in payment of additional shares, or as Patronage Loans from the member to the Co-op.

**SECTION ELEVEN
DIVIDENDS**

11.01 Dividends. - Subject to the Act and the articles, the Board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Co-op. Dividends may be paid in money or property or by issuing fully paid shares of the Co-op. Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Co-op.

11.02 Dividend Cheques. - A dividend payable in money shall be paid by cheque to the order of each registered holder of shares in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder's recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of both such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Co-op is required to and does withhold. In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Co-op shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the Board may from time to time prescribe, whether generally or in any particular case.

11.03 Record Date for Dividends. - The Board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend, as a record date for the determination of the persons entitled to receive payment of such dividend, and notice of any such record date shall be given not less than 7 days before such record date in the manner provided by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend shall be at the close of business on the day on which the resolution relating to such dividend is passed by the Board.

11.04 Maximum Dividend. - Dividends in excess of amounts prescribed by the Act may not be declared by the Board.

**SECTION TWELVE
BUSINESS OF THE CO-OPERATIVE**

12.01 Registered Office. - The registered office of the Co-op shall be in the municipality or geographic township within Ontario initially specified in its articles and thereafter as the members may from time to time determine by special resolution and at such location therein as the Board may from time to time determine.

12.02 Corporate Seal. - The corporate seal of the Co-op shall have inscribed thereon the words “Mornington Communications Co-operative Limited” and the seal impressed in the margin of these by-laws is hereby adopted as corporate seal of the Co-op.

12.03 Financial Year. - Until changed by the Board, the financial year of the Co-op shall end on the last day of December in each year.

12.04 Execution of Instruments. - Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Co-op by two persons, one of whom holds the office of Secretary or Treasurer and the other of whom is the Chair or Vice Chair. In addition, the Board or the said two persons may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same.

12.05 Banking Arrangements. - The banking business of the Co-op including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the Board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the Board may from time to time prescribe.

12.06 Deposits. - All funds of the Co-op shall be deposited from time to time to the credit of the Co-op in such banks as the Board may select.

**SECTION THIRTEEN
BORROWING AND SECURITY**

13.01 Borrowing Power. - Without limiting the borrowing powers of the Co-op as set forth in the Act, but subject to the articles, the Board may from time to time on behalf of the Co-op, without authorization of the members:

- (a) borrow money upon the credit of the Co-op;
- (b) issue, sell or pledge bonds, debentures or other similar obligations of the Co-op, whether secured or unsecured; and
- (c) charge, mortgage, hypothecate or pledge all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Co-op including book debts, rights, powers, franchises and undertakings to secure any such bonds, debentures notes, or other similar obligations of the Co-op, or any money borrowed or other debt or liability of the Co-op.

Nothing in this section limits or restricts the borrowing of money by the Co-op on bills of exchange or promissory notes made, drawn, accepted, or endorsed by or on behalf of the Co-op.

13.02 Delegation. - Subject to the Act and the articles, the Board may from time to time delegate to a committee of the Board, a director or an officer of the Co-op or any other person as may be designated by the board all or any of the powers conferred on the board by Section 13.01 or by the Act to such extent and in such manner as the Board may determine at the time of such delegation.

13.03 Loans to Members. - The Co-op shall not make loans to any of its members, directors or employees or give directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, any financial assistance to any member, director or employee, except in the course of transactions of a type available to all members of the Co-op.

SECTION FOURTEEN NOTICES

14.01 Method of Giving Notices. - Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the regulations thereunder, the articles, the by-laws or otherwise to a member, shareholder, director, officer, auditor or member of a committee of the Board shall be sufficiently given if delivered personally to the person to whom it is to be given or if mailed to the person's recorded address by prepaid mail. A notice so delivered shall be deemed to have been when it is delivered personally and a notice so mailed shall be deemed to have been received on the fifth day after it is deposited in a post office or public letter box. The Secretary may change or cause to be changed the recorded address of any member, shareholder, director, officer, auditor or member of a committee of the Board in accordance with any information believed by the Secretary to be reliable.

14.02 Notice to Joint Shareholders. - If two registered as joint holders of any share, any notice may be addressed to both joint holders, but notice addressed to one of such persons shall be sufficient notice to each of them.

14.03 Computation of Time. - In computing the date when notice must be given under any provision requiring a specified number of days notice of any meeting or other event, the day of giving the notice shall be excluded and the day of the meeting or other event shall be excluded.

14.04 Undelivered Notices. - If any notice given to a member or shareholder pursuant to Section 14.01 is returned on three consecutive occasions because the member or the shareholder cannot be found, the Co-op shall not be required to give any further notices to such member or shareholder until such person informs the Co-op in writing of the new address.

14.05 Omissions and Errors. - The accidental omission to give any notice to any member, shareholder, director, officer, auditor or member of a committee of the Board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

14.06 Persons Entitled by Death or Operation of Law. - Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom such person derives title to such share prior to the new name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which the person became so entitled) and prior to such person furnishing to the Co-op the proof of authority or evidence of such person's entitlement prescribed by the Act.

14.07 Waiver of Notice. - Any member, shareholder, or other person entitled to attend a meeting of shareholders and members, director, officer, auditor or member of a committee of the Board may at any time waive any notice, or waive or abridge the time for any notice required to be given to such person under the Act, the regulations thereunder, the articles, the by-laws or otherwise, and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of members or of the Board or a committee of the Board which may be given in any manner.

14.08 Interpretation. - In this by-law, “recorded address” means in the case of a member or shareholder, such person’s address as recorded in the member’s or securities register; and in the case of joint shareholders the address appearing in the securities or members register in respect of such joint holding or the first address so appearing if there are more than one; in the case of an officer, auditor or member of a committee of the Board, such person’s latest address as recorded in the records of the Co-op; and in the case of a director, the latest address as recorded in the records of the Co-op for that person.

**SECTION FIFTEEN
EFFECTIVE DATE**

15.01 Effective Date. - This by-law shall come into force when passed by the Board and confirmed by at least two-thirds of the votes cast at a general meeting of members of the Co-op called for that purpose.

Passed by the Board the 14 day of November 1994.

President

c/s

Secretary

CONFIRMED by the members in accordance with the Act the 14 day of November, 1994

Secretary

List of Amendments to this By-Law
2009-05-06

Original By-Law – The original by-law was created and passed by the members November 15, 1994

Revision 0 – March 20, 1996 – Changes to 4.11 Director Remuneration and changes to 4.02 to increase the number of Directors to 5

Revision 1 – April 15, 1998 – Changes were made to the definition of a “customer” and “good standing”. Automatic termination of membership when moving out of the serving area (595 exchange) was also added.

Revision 2 – April 16, 1999 – Change to 4.04 to stagger elections and allow for at least two and not more than three directors to be elected each year.

Revision 3 – May 5, 2009 – Changes to:

- definition of a “customer”
- 2.06 regarding automatic termination when revenue stream falls below \$20.00 per month.
- 4.02 – increase number of Directors to six
- 4.03 g) restrict three directors to members from the 595 exchange
- 4.04 clarify tenure of existing Directors in order to ensure that two Directors are elected each year starting in 2010 and all Directors serve for three years. In each year of elections, one candidate must qualify as a Restricted Director.