

BYLAWS

of

ETEX TELEPHONE COOPERATIVE, INC.

(as amended April 15, 1997, April 17, 2012, April 19, 2022)

ARTICLE I MEMBERSHIP

SECTION 1. Requirements for Membership. Any eligible person, firm, association, corporation, or body politic or subdivision thereof may become a member of Etex Telephone Cooperative, Inc. (hereinafter called the "Cooperative") by:

- (a) Making a written or electronic application for membership therein;
- (b) Agreeing to purchase from the Cooperative such telecommunications and/or information services as may be specified in policy by the Board;
- (c) Agreeing to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors (hereinafter called the "Board");
- (d) Agreeing to pay the any membership fee as may be specified on uniform terms and conditions established by the Board; and
- (e) The Board will determine under rules and/or policies of general application the types and amounts of revenue streams, or the types and amounts of patronage that give rise to the privileges of membership and to the allocation of patronage credits.

Exchange carriers, interexchange carriers, and other telecommunications entities are eligible for membership and patronage allocation to the extent they utilize the Cooperative's basic telecommunications services in the ordinary course of administrative affairs of their business. However, neither such entities nor their customers are eligible for Cooperative membership or patronage allocation by virtue of their:

- (1) purchase of local access or toll access services
- (2) purchase of equipment
- (3) joint participation with the Cooperative in the provision of telecommunication services
- (4) payment of access or regulatory support program fees or assessments
- (5) payment of interconnection fees, or
- (6) purchase for resale of any of the Cooperative's services,

provided, however, that agreement to pay or payment of the membership fee in accordance with the provisions of these Bylaws by a landlord on behalf of an applicant for membership who is a tenant occupying premises owned by such landlord and served by the Cooperative shall constitute compliance by such applicant with subdivision (d) of this section; and provided further, however, that no person, firm, association, corporation or body politic or

subdivision thereof shall become a member unless and until he or it has been accepted for membership by the Board or the members. No member may hold more than one membership in the Cooperative, and no membership shall be transferable, except as provided in these Bylaws.

Beginning six months after the date of incorporation, all applications received more than thirty days prior to each meeting of the members which have not been accepted or which have not been rejected by the Board, shall upon three (3) days written request to the Cooperative, be submitted by the secretary to such meeting; and subject to compliance by the applicant with requirements hereinabove set forth, any such applications may be accepted or rejected by vote of the members. The applicant shall be entitled to be present and heard at the meeting.

SECTION 2. Membership Certificates. Membership in the Cooperative shall be evidenced by a membership certificate, which shall be in such form and shall contain such provisions as shall be determined by the Board. . . Membership in the cooperative shall not be transferable, except as provided in these bylaws. A membership certificate is not freely transferable nor assignable. Any attempted transfer of a membership interest must be approved by the Board of Directors and then only to successors in occupancy in all or in part of the patrons' premises served by the Cooperative unless the Board of Directors, acting under the policies of general applications, provides otherwise. Any successor to a membership certificate must meet the requirements of Article I of these Bylaws in the same manner as a new Member.

SECTION 3. Joint Membership. A husband and wife may apply for a joint membership, and subject to their compliance with the requirements of Section 1 of this Article, may be accepted for such membership. The term "member", as used in these Bylaws, shall be deemed to include a husband and wife holding joint membership and any provisions relating to the rights and liabilities of such a membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either, but not both may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

SECTION 4. Conversion of Membership.

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, By- Laws and any rules and regulations adopted by the Board. The outstanding membership certificates shall be surrendered and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.

- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor.

The outstanding membership certificate shall be surrendered and shall be reissued in such manner as shall indicate the changed membership status, provided, however, that the estate of the deceased shall not be released from any debt due the Cooperative.

SECTION 5. Non-Natural Members. A non-natural entity or organization may apply or continue membership in the Cooperative pursuant to the requirements for membership specified in Section 1 of this Article. Any such non-natural person accepted, or continuing membership, must designate to the Cooperative an individual to represent its voting interest in any meeting of members or any otherwise needed representation of that membership interests.

SECTION 6. Purchase of Service. Each person who applies for service shall, as soon as service is available, take service from the Cooperative. The member shall pay therefore monthly at rates in accordance with either established tariff as fixed by the Public Utility Commission, or the Board, or for the services rendered by other carriers, at the rates which the Cooperative is obligated to bill and collect by contractual arrangements with other carriers. It is expressly understood that the amounts received by the Cooperative for all services in excess of the cost are furnished by members from the moment of receipt as capital and each member shall be credited with the capital so furnished as provided by these Bylaws. Each member shall pay the amounts owed by the member to the Cooperative as and when the same shall become due and payable. Basic telecommunications services shall be provided to the member by the Cooperative utilizing the type of technology and/or facilities, as determined by the Cooperative, to provide the best balance of reliability, quality of service and cost of effectiveness.

SECTION 7. Termination of Membership.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than two-thirds of all the Directors, expel any member who fails to comply with any of the provisions of the articles of incorporation, Bylaws, or any rules or regulations adopted by the Board, but only if such member shall have been given written notice by the Secretary that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting. The membership of a member who has not permitted the installation of service within thirty (30) days after he has been notified service is available to him, or of a member who has ceased to purchase telephone service from the Cooperative, shall be cancelled by resolution of the Board.
- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- (c) If a membership fee has been paid by a landlord on behalf of his tenant, on the removal of such tenant from the premises of the landlord, the membership of such tenant shall terminate.

- (d) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay, to the member, the amount of the membership fee paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owing from the member of the Cooperative.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members. Upon dissolution after:

- (a) debts and liabilities of the Cooperative shall have been paid,
- (b) All capital furnished through patronage shall have been retired as provided in these Bylaws, and
- (c) All membership fees shall have been repaid, and
- (d) All retained non-operating margins have been retired, and the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion, which the aggregate patronage of each member bears to the total patronage of such members, unless otherwise provided by law.

SECTION 2. Non-Liability for Debts of the Cooperative. The private property of the members shall be exempt from execution of other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III MEETING OF MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the members, for the purpose of electing Directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting, shall be held on the third Tuesday of April of each year, or at such other times as may be hereafter fixed by the Board of Directors, at such place in Upshur County, Texas, and shall be designated in the notice of the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. If the day fixed for the annual meeting shall fall on a legal holiday, such meeting shall be held on the next succeeding day. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. Special Meetings. Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any three Directors, by the President, or by not less than two hundred (200) members or ten percent (10%) of all the members, whichever shall be the lesser, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the County of Upshur, State of Texas, specified in the notice of the special meetings.

SECTION 3. Notice of Members' Meetings. Notice stating the place, day and hour of the meeting, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is to be called, shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the

meeting by the persons authorized to call the meeting to each member. Such notice may be delivered in person, by mail or electronically if the member consents. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepared. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action, which may be taken by those members at any such meeting.

SECTION 4. Quorum. As long as the total number of members does not exceed five hundred (500), ten percent (10%) of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed five hundred fifty (550) members, or two percent (2%) of the members present in person, whichever shall be the larger, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

SECTION 5. Voting. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereupon in person except, as otherwise provided by law, the Articles of Incorporation or these Bylaws.

The Board may authorize additional processes and procedures for Member voting, including mail voting and/or electronic voting. All such voting shall be considered as “in person” voting, and all such votes shall be counted for purposes of establishing a meeting quorum.

SECTION 6. Order of Business. The order of business at the annual meeting of the members and as far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meetings:

- (a) Report on the number of members present in person in order to determine the existence of a quorum.
- (b) Reading of the notice of the meeting and proof of due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- (c) Reading of unapproved minutes of previous meetings of the members and in the taking of necessary action thereon.
- (d) Presentation and consideration of reports of officers, Directors and committees.
- (e) Election of Directors.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

SECTION 7. Director Districts. It shall be the duty of the Board to establish a policy and procedures for the determination of districts, nomination and election of directors, including a nomination process, which includes the allowance of individual nominations by member petition. Any fifteen (15) or more members acting together may make other nominations by petition no less than twenty (20) days prior to any member voting period, and if qualified, such individuals so nominated shall be included on the ballot. No nominations shall be taken from the floor during the meeting except as may be provided in Article IV, Section 5.

ARTICLE IV DIRECTORS

SECTION 1. General Powers. The business and affairs of the Cooperative shall be managed by a Board of seven Directors, which shall exercise all of the powers of the Cooperative except such as are by law, the articles of incorporation of these Bylaws conferred upon or reserved to the members.

SECTION 2. Election and Tenure of Office. Beginning with the annual meeting of the Cooperative to be held on the first Tuesday in October 1956, the Directors of the Cooperative shall be divided into three classes. At such annual meeting one Director each from Districts One and Seven shall be elected by secret ballot by and from the members as Directors of the first class to serve until the third succeeding annual meeting of said Cooperative or until their successors shall have been elected and shall have qualified; and one Director each from Districts Nos. Two and Six shall be elected by secret ballot by and from the members as Directors of the second class to serve until the second succeeding annual meeting, or until their successors shall have been elected and shall have qualified; and one Director each from Districts Three, Four and Five shall be elected by ballot by and from the members as Directors of the third class to serve until the next annual meeting, or until their successors shall have been elected and shall have qualified. At each annual meeting thereafter, the Directors shall be elected by secret ballot by and from the members to succeed those Directors whose terms of office shall have expired, to serve for a period of three years, or until their successors shall have been elected and shall have qualified. If an election of Directors shall not be held on the days designated herein for the annual meeting or at any adjournment thereof, the Board of Directors shall cause an election to be held at a special meeting of the members within a reasonable time thereafter. Directors may be elected by plurality vote of the members.

Section 3. Director Qualifications. A Director or director candidate must comply with this Bylaw.

- (a) General Director Qualifications. To become and remain a Director, a Person must comply with the following general qualifications:
- (1) be an individual;
 - (2) have the capacity to enter legally binding contracts;
 - (3) not have been previously removed or disqualified as a Director;
 - (4) while a Director, and during the five (5) years immediately before becoming a Director, not be convicted of, or plead guilty to, a felony or two (2) misdemeanors; or found guilty of any offense involving moral turpitude;
 - (5) not become an employee of the Cooperative for at least ten (10) years after termination of the director position
 - (6) before becoming a Director, graduate from high school or earn an equivalent degree or certification;
 - (7) except as otherwise provided by the Board for good cause, attend at least two-thirds (2/3) of all Board Meetings during each twelve (12) month period;
 - (8) comply with any other reasonable qualifications determined by the Board; and

- (9) not be an incumbent of an elected public office in connection with which a salary is paid.
- (b) **Membership Director Qualifications.** To become and remain a Director, an individual must comply with the following membership qualifications:
 - (1) while a Director and during the one (1) year immediately before becoming a Director:
 - (A) be an unsuspended Member; and
 - (B) permanently reside or take service provided by the Cooperative, at the individual's principal residence as defined under federal tax law within the cooperative service area, or the Director district from which the Director is nominated or elected.
- (c) **Independent Director Qualifications.** To become and remain a Director, an individual must comply with the following independence qualifications:
 - (1) annually complete and sign an independence certification and disclosure form if approved by the Board;
 - (2) while a Director and during the ten (10) years immediately before becoming a Director, not be an employee of the Cooperative or an employee of an entity controlled by the Cooperative or in which the Cooperative owns a majority interest;
 - (3) while a Director and during the ten (10) years immediately before becoming a Director, not be an employee of an entity in which the Cooperative is a member or owner;
 - (4) while a Director, not be a close relative of a cooperative official, Director or cooperative employee;
 - (5) while a Director, not be employed by another Director, or be employed by, or receive more than ten percent (10%) of annual gross income from, an entity for which another Director controls, owns more than ten percent (10%), or is a director or officer; and
 - (6) while a Director and during the one (1) year immediately before becoming a Director, not be employed by, control, own more than ten percent (10%) of, serve as a director or officer of, or receive more than ten percent (10%) of annual gross income from an entity that:
 - (A) advances the entity's pecuniary interest by competing with the Cooperative or a cooperative subsidiary or cooperative affiliate, providing a good or service similar to a good or service provided by the Cooperative or a cooperative subsidiary or a cooperative affiliate providing telephone service or a good or service related to providing telephone service.
 - (7) while a director, not engage in any behavior, actions or activities that (i) subject either the director or the Cooperative to ridicule or embarrassment; (ii) adversely affect the director's or the Cooperative's reputation; (iii) interfere with or diminish the director's standing as a Cooperative ambassador and representative; or (iv) are contrary to the best interests of the Cooperative and its employees.

- (d) Director Disqualification. After being elected, designated, or appointed, if a Director does not comply with all general director qualifications, membership director qualifications, and independent director qualifications (collectively, "Director Qualifications") existing when the Director was elected, designated, or appointed, then, except as otherwise provided by the Board for good cause, the Board shall disqualify the Director and the individual is no longer a Director if:
- (1) the Board notifies the Director in writing of the basis for, and provides the Director an opportunity to comment regarding, the Board's proposed disqualification; and
 - (2) within twenty (20) days after the Board notifies the Director of the proposed disqualification, the Director neither complies with nor meets the director qualification.

If a majority of Directors authorized by these Bylaws complies with the director qualifications and approves a Board action, then the failure of a Director to comply with the director qualifications does not affect the Board action.

SECTION 4. Nomination of Directors. It shall be the duty of the Board of Directors to appoint, not less than thirty (30) days nor more than seventy (70) days before the date of a meeting of the members at which Directors are to be elected, a committee of nominations consisting of not less than three (3) members. At least one (1) member of the committee shall be elected from each district from which a Director is to be elected. No member of the Board of Directors may serve on such committee.

The committee, keeping in mind the principle of geographical representation, shall prepare and post at the principal office of the Cooperative at least (30) days before the meeting, a list of nominations for Directors. Any fifteen (15) or more members acting together may make other nominations by petition no less than twenty (20) days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. The Secretary shall mail with the notice of the meeting or separately, but at least ten (10) days before the date of the meeting, a statement of the number of Directors to be elected and the names and address of the candidates, specifying separately the nominations made by the committee and the nominations made by petition, if any.

The ballot to be used at the election shall list the names of candidates nominated by the committee and the names of the candidates nominated by petition, if any.

SECTION 5. Removal of Directors by Members. Any member may bring charges against a Director, and by filing with the Secretary such charges in writing, together with a petition signed by at least ten percent (10%) of the members, or two hundred (200) members, whichever is lesser, may request the removal of such Director by reason thereof. Such Director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such Director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nomination.

SECTION 6. Vacancies. Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Directors by the members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Directors for the unexpired portion of the term, provided, however, that in the event the vacancy is not filled by the Board within sixty (60) days after the vacancy occurs, the members shall have the right to fill such vacancy at a meeting of the members without compliance with the foregoing provisions in respect of nomination.

SECTION 7. Compensation. Board members shall not receive any salary for their services as Directors, except that by resolution of the Board of Directors a fixed sum and actual expenses of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors. Board members, who elect to participate, may be extended various forms of corporate or personal insurance coverage, as allowed by Texas or federal law, as well as participation in benefits in the same manner as provided to Cooperative employees, except benefits based on salary. No Director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a Director receive compensation for serving the Cooperative unless the payment and amount of compensation shall be specifically authorized by a vote of the members of the service by such Director or close relative shall have been certified by the Board of Directors as an emergency measure.

SECTION 8. Catastrophic Loss of Board Members. The loss of five (5) or more Board members arising from an event of natural or human origin shall be deemed a catastrophic loss of Board members. In the event of a catastrophic loss of Board members, the remaining Board members shall appoint, within one hundred twenty (120) days, individuals qualified to serve as Board members pursuant to Article IV, Section 3 hereof from each of the Districts, which suffered a loss of a Board member, keeping in mind the principle of equitable geographic representation. Board members so appointed shall serve until the next annual meeting of the membership, at which time all Board positions appointed under this Section shall stand for election. In the event of a catastrophic loss wherein two (2) or less Board members remain, the remaining Board member(s), or if no Board remains, the highest ranking Cooperative staff member, shall call a special meeting of the membership within ninety (90) days of the occurrence of the vacancy to elect the applicable number of Board members to fill the vacant positions in accordance with all provisions of these bylaws wherein these specially elected Board member(s) shall serve until the next regularly scheduled annual meeting of the membership at which time all such appointed positions shall stand for election.

SECTION 9. Quorum During Catastrophe. In the event of a catastrophic loss as defined in Section 8 the traditional quorum requirements are simplified pending the appointment of new Board members, in order to allow the remaining Board members to meet and conduct business. All action of the Board during this time period shall stand for ratification at the next Board meeting wherein a traditional quorum is present.

ARTICLE V MEETINGS OF DIRECTORS

SECTION 1. 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 at such time and place in Upshur County, Texas, as the

Board may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. Special Meetings. Special meetings of the Board may be called by the President or by any three Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the Directors calling the meeting shall fix the time and place (which shall be in Upshur County, Texas) for the holding of the meeting.

SECTION 3. Notice of Directors' Meeting. Notice of the time, place (or telecommunications conference event) and purpose of any special meeting of the Board shall be delivered to each Board member either personally, by electronics, facsimile telephone transmission, or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or two (2) of the Board members calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Board member at his address as it appears on the records of the Cooperative with first-class postage thereupon prepaid, at least five (5) business days before the date set for the meeting.

SECTION 4. Quorum. A majority of the Board shall constitute a quorum, provided that if less than such majority of the Directors is present at said 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 Director 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.

ARTICLE VI OFFICERS

SECTION 1. Number. The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer and such other officers as may be determined by the Board from time to time. The offices of the Secretary and of Treasurer may be held by the same person.

SECTION 2. Election and Term of Office. The officers shall be elected by ballot, annually by and from the Board at the meeting of the Board held immediately after the annual meeting of the members. If the election shall not be held at such meeting such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. Except as otherwise provided in these Bylaws, the vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 3. Removal of Officers and Agents by Directors. Any officer or agent elected or appointed by the Board may be removed by the Board whenever, in its judgment, the best interest of the Cooperative shall be served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing, together with a petition signed by ten percent (10%) of the members, or two hundred (200) members, whichever is the lesser, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges and the person or persons bringing the charges against him shall have the same

opportunity. In the event the Board does not remove such officer, the question of his removal shall be considered and voted upon at the next meeting of the members.

SECTION 4. President. The President shall:

- (a) Be the principal executive officer of the Cooperative, and unless otherwise determined by the members of the Board, shall preside at all meetings of the members and the Board;
- (b) Sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by the Board or the members, and may sign any deeds, mortgages, deeds of trust, notes, bond, contracts or other instruments authorized by the Board to be executed, except in cases which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) In general, perform all duties incident to the office of the President and such other duties as may be prescribed by the Board from time to time.

SECTION 5. Vice President. In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as, from time to time, may be assigned to him by the Board.

SECTION 6. Secretary. The Secretary shall:

- (a) Keep the minutes of the meetings of the members and of the Board in one or more books provided for that purpose;
- (b) See that all notices are duly made and given in accordance with these Bylaws or as required by law;
- (c) Be custodian of the corporate records and of the seal of the Cooperative and affix the seal of the Cooperative to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- (d) Keep a register of the names and post office addresses of all members;
- (e) Sign, with the President, certificates of membership the issue of which shall have been authorized by the Board or the members;
- (f) Have general charge of the books of the Cooperative;
- (g) Keep on file at all times a complete copy of the articles of incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, forward a copy of the Bylaws and all amendments thereto to each member; and,
- (h) In general, perform all duties incident to the office of Secretary and such other duties as, from time to time, may be assigned to him by the Board.

- (i) The Secretary, with Board approval, may delegate the administrative duties of the office to an associate or staff member, while retaining final authority of all actions of the office.

SECTION 7. Treasurer. The Treasurer shall:

- (a) Have charge and custody of and be responsible for all funds and securities of the Cooperative; Be responsible for the receipt of and the issuance of receipts for all monies due and payable to the Cooperative, and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws, and
- (b) In general, perform all the duties incident to the office of Treasurer and such other duties as from time to time, may be assigned to him by the Board.
- (c) The Treasurer, with Board approval, may delegate its administrative duties of the office to an associate or staff member, while retaining final authority of all actions of the office.

SECTION 8. Manager. The Board may, as deemed necessary, appoint a Chief Executive Officer or General Manager, who shall not be required to be, members of the Cooperative. Such appointed CEO/GM shall perform such duties as the Board may from time to time require and shall have authority as the Board may from time to time invest in such management.

SECTION 9. Bonds of Officers. The treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of its funds or property shall give bond in such sum and with such surety as the Board shall determine. The Board, at its discretion, may also require any other officer, agent, or employee of the Cooperative to give bond in such amount with such surety as it shall determine.

SECTION 10. Compensation. The powers, duties and compensation of officers, agent and employees shall be fixed by the Board, subject to the provisions of these Bylaws with respect to compensation for Directors and close relatives of Directors.

SECTION 11. Reports. The officers of the Cooperative shall submit, at each annual meeting of the members, reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII NON-PROFIT OPERATIONS

SECTION 1. Capital Credits. The Cooperative shall allocate and redeem Capital Credits as provided in this Article.

SECTION 2. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 3. Patronage Capital in Connection with Furnishing Telecommunications and Information Services.

- (a) Accounting for Capital. In the furnishing of telecommunications and information services, the Cooperative's operations shall be so conducted that all Patrons will, through their patronage, furnish capital for the Cooperative. In order to induce Patrons and to insure that

the Cooperative will be operated on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its Patrons and Members alike, for all amounts received and receivable from and directly related to the furnishing of telecommunications and information services in excess of operating costs and expenses properly chargeable against the furnishing of such services hereinafter referred to as margins from patronage business. All such margins from patronage business at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the Patrons as capital.

- (b) Allocation of Capital Credits. The Cooperative is obligated to pay by credits to a capital account for each Patron all margins from patronage business. The books and records of the Cooperative shall be set up and kept in such manner that at the end of each fiscal year the amount of capital, if any, so furnished by the Patron is clearly reflected and credited in an appropriate record to the capital account of each Patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each Patron of the amount of capital so credited to the Patron's account. All such amounts credited to the capital account of any Patron shall have the same status as though it had been paid to the Patron in cash in pursuance of a legal obligation to do so and the Patron had then furnished the Cooperative corresponding amounts for capital.

If the costs and expenses exceed the amounts received and receivable from the furnishing of patronage business, hereinafter referred to as "loss," then the Board shall have the authority under accepted accounting practices and applicable tax law to prescribe the manner in which such loss shall be handled.

The Board has the authority to determine through policy which services are included in the definition of patronage business. The Board also has the authority to determine the kind, timing, method, and type of allocation; provided however, that such methods are fair and equitable on the basis of patronage.

- (c) Allocating Other Margins. All other amounts received by the Cooperative in excess of costs and expenses, except those derived from patronage business, shall, insofar as permitted by law, be used to offset any losses during the current or any prior fiscal year and, to the extent not needed for that purpose, either:
- (1) Allocated to its Patron on a patronage basis and any amount so allocated shall be included as part of the capital to be allocated to the accounts of the various classes of members in an equitable manner as approved by the Board, or
 - (2) Used to establish and maintain a non-operating margin reserve not assignable to Patrons prior to dissolution of the Cooperative.
- (d) Redemptions by Board Discretion. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to Patrons' accounts may be retired in full or in part. All retirements of capital shall be at the discretion and direction of the Board as to kind, timing, method, and type of distribution; and whether such retirements are in full, part or subject to general discounts.
- (e) Payments and Redemptions Upon Dissolution. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of Patrons.

- (f) **Capital Assignment.** Capital credited to the account of each Patron shall be assignable only on the books of the Cooperative, pursuant to written instruction from the assignor and only to successors in interest, or successors in occupancy, in all or in a part of such Patrons' premises served by the Cooperative, unless the Board, acting under policies of general application, shall authorize other types of assignments. Patrons at any time may assign their capital credits back to the Cooperative and the Cooperative is authorized to negotiate capital credit settlement arrangements with bankrupt patrons.

Any attempt to assign or transfer the capital credited to the account of a Patron pursuant to state or federal law is subject to a right of first refusal vested in the Cooperative for a period of sixty (60) days following notice to the Cooperative of a proposed transfer of such capital to the extent the Cooperative meets any compensation terms of the proposed transfer.

- (g) **Redemptions Upon Death.** Notwithstanding any other provision of these Bylaws, the Board, at its discretion, shall have the power at any time upon the death of any natural Patron, or the dissolution or cessation of business by a non-natural person, if the legal representative of his estate shall request in writing, that the capital credited to any such Patron be retired prior to the time such capital would be retired in a general retirement under provisions of these Bylaws; and, to retire capital credited to any such Patron immediately upon such terms, conditions, discounts or payouts as the Board, acting under policies of general application, and the legal representative of such Patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.
- (h) **Minimum Accounts.** When the capital credits of any Patron no longer receiving service from the Cooperative comes to a total amount of less than a fixed sum determined by the Board of Directors, the same shall be retired in full with such retirements made only when and at the same time that a general retirement to other Patrons is made. During a general capital credit retirement, no checks shall be issued for less than a fixed amount determined by the Board, and the amount of such unretired capital credits will be retired in the first following year, when the total amount of capital credits qualifying for retirement exceeds that amount set by the Board, including the amount carried over.
- (i) **Tax Refunds.** All tax refunds made by the United States Government or any of the states in connection with the final or true cost of service as determined by the capital credits allocation process may be held and used by the Cooperative as furnished patronage capital and shall be treated in the same manner as furnished capital set out in this Section of these Bylaws.
- (j) **Debts Offset.** Regardless of statute of limitations or other time limitations, the Cooperative may recoup, offset, or set off any amount owed to the Cooperative by a Patron prior to payment of capital credits to the Patron or Patrons. Amounts so offset shall be together with interest thereon at the Texas legal rate on judgments in effect when such amount becomes past due, compounded annually.

SECTION 4. Patronage Capital Policies.

- (a) **Policy Review.** The Board of Directors shall periodically review all policies with regard to the allocation of patronage capital to the members. The Board of Directors shall not allocate non-operating earnings or margins to Patrons, except in the event of dissolution of the

Cooperative or when distributions or dividends are received by the Cooperative for a subsidiary corporation for the express purpose of allocating patronage to the Patrons.

- (b) Allocation from Subsidiaries. The Board of Directors may allocate patronage capital to eligible Cooperative members for dividends or distribution from the Cooperative's subsidiaries.
- (c) Allocation Eligibility. The Board of Directors may establish categories of membership that are not eligible for the allocation of patronage, and the Board shall not allocate any patronage capital on the basis of:
 - (1) purchase of telecommunication equipment;
 - (2) purchase of local access or toll services;
 - (3) purchase of any and all services for resale;
 - (4) payment of access charges, universal service fund support payments, any regulatory or legislative assessments; or
 - (5) payment of interconnection fee and charges.

Nothing herein shall prevent the Cooperative from establishing subsidiaries that are wholly-owned by the Cooperative and operated as a separate cooperative or corporation, and whose margins or dividends shall be eligible for patronage allocation to the Cooperative's members in a reasonable, fair and equitable manner.

SECTION 5. Patronage Capital in Connection with Furnishing Other Services. In the event that the Cooperative should engage in the business of furnishing goods or services other than traditional telecommunications and information services, all amounts received and receivable there from which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those Patrons from whom such amounts were obtained at such time and in such order of priority as the Board shall determine. Any margins received by the Cooperative from subsidiaries or affiliates may be allocated or determined within the discretion of the Board of Directors as patronage credit or as permanent equity of the Cooperative.

ARTICLE VIII DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all of the members of the Cooperative and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting, provided, however, that notwithstanding anything herein contained, the Board, with authorization of the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefore all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof; provided further that the Board may upon authorization of a majority of these members of the Cooperative present at a meeting of the members thereof, sell,

lease, or otherwise dispose of all or a substantial portion of its property to another Cooperative or foreign corporation doing business in this State pursuant to the Act under which the Cooperative is incorporated.

ARTICLE IX

SEAL

The corporate seal of the Cooperative shall be in the form of a circle and shall have subscribed thereon the name of the Cooperative and the words "Corporate Seal Texas".

ARTICLE X

FINANCIAL TRANSACTIONS

SECTION 1. Contracts. Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 2. Checks, Drafts, Etc. All checks, drafts, or other orders for payment of money, and all notes, bonds or other evidence of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall, from time to time be determined by resolution of the Board.

SECTION 3. Deposits. All funds of the Cooperative shall be deposited, from time to time, to the credit of the Cooperative in such bank or banks as the Board may select.

SECTION 4. Change in Rates. Written notice shall be given to the Administrator of RUS of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the monthly rates charged by the Cooperative for telephone service becomes effective.

SECTION 5. Fiscal Year. The fiscal year of the Cooperative shall begin on the 1ST day of January each year and shall end on the 31ST day of December the same year.

ARTICLE XI

MISCELLANEOUS

SECTION 1. Membership in Other Organizations. The Cooperative, upon an affirmative vote of two-thirds or more of the Directors, may become a member of, or purchase stock in, any other organization or corporation organized for the purpose of engaging in or furthering the cause of area wide telephone or communications service; or furnishing financing or generating capital for the purpose of engaging in or furthering the cause of communication service; or, with the approval of the Administrator of RUS, the Cooperative, upon the authorization of the Board of Directors, may purchase stock in or membership on behalf of the Cooperative, in a corporation or organization deemed necessary by the Directors for the more efficient operation of the Cooperative and for providing telephone and communications service to its members at a lesser cost.

SECTION 2. Waiver of Notice. Any member or Director may waive, in writing, any notice of a meeting required to be given by these Bylaws. The attendance of a member or Director at any meeting shall constitute a waiver of notice of such meeting by such member or Director, except in case of a member or Director shall attend a meeting for the express purpose of objecting to the

transaction of any business on the grounds that the meeting has not been lawfully called or convened.

SECTION 3. Rules and Regulations. The Board shall have power to make and adopt such rules and regulations, not inconsistent with law, the articles of incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 4. Accounting System and Reports. The board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of RUS of the United States of America. The Board shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial conditions of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members of the following annual meetings.

SECTION 5. Indemnification of Officers, Directors, Employees and Agents.

- (a) The Cooperative shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a Director, officer, employee or agent of the Cooperative or is or was serving at the request of the Cooperative as a Director, officer, employee or agent of another Cooperative, corporation, partnership, joint venture, trust or other enterprise, for all expenses (including attorney's fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred by him in connection with such action, suit or proceeding, if he acted in good faith and in a manner reasonably believed to be in or not opposed to the best interest of the Cooperative, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful; provided, however, that such indemnity shall not include any expenses incurred by any such person in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Cooperative, except as provided by law. The Cooperative may purchase insurance to cover such indemnification.
- (b) In no event shall anything contained hereinabove be construed so as to protect or to authorize the Cooperative to indemnify any such person against any liability to the Cooperative or to its members to which he would otherwise be subject by reason of his willful malfeasance, bad faith, gross negligence or reckless disregard of the members' rights and duties involved in the conduct of his office as such Director, officer, employee or agent.
- (c) The indemnification provided hereinabove shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw agreement, vote of members or disinterested Director or otherwise, and shall not in any way limit any right which the Cooperative may have to make a different or further indemnifications with respect to the same or different persons or classes of persons, and as provided by law.

The foregoing right of indemnification shall inure to the benefit of the heirs, executors or administrators of any such person, Director, officer, employee or agent, and shall be in addition to all other rights to which such person may be entitled as a matter of law.

SECTION 6. Contract Principles. The Members and Patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and the Bylaws shall constitute and be a contract between the Cooperative and each Patron, and both the Cooperative and the Patrons are bound by such contract, as fully as though each Patron had individually signed as a separate instrument containing such terms and provisions.

Section 7. Address Notification. It shall be the duty of the Patron at all times to provide to the Cooperative the Patron's current mailing address and to keep the Cooperative notified of any changes thereto. This duty continues whether the service to the Patron has been terminated, the Patron has moved off of the system, or the Patron has moved out of the service area of the Cooperative.

ARTICLE XII AMENDMENTS

These Bylaws may be altered, amended or repealed by the members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or appeal.