

BYLAWS OF THE NEW HOPE TELEPHONE COOPERATIVE

ARTICLE I MEMBERSHIP

SECTION 1. *Requirements for Membership.* Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of New Hope Telephone Cooperative (hereinafter called the "Cooperative") upon receipt of telephone or other communication services from the Cooperative, provided that he or it has first:

- (a) Made a written application for membership therein;
- (b) Agreed to purchase services from the Cooperative in accordance with established Tariffs and as hereinafter specified;
- (c) Agreed 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, and
- (d) Paid the membership fee hereinafter specified.

Members may hold more than one membership in the Cooperative but shall only be entitled to one vote, and no membership in the Cooperative shall be transferable, except as provided in these bylaws.

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. Such certificates shall be signed by the President and by the Secretary of the Cooperative and the Corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed by these bylaws, nor until such membership fee has been fully paid. In case a certificate is lost, destroyed, or mutilated a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the board may prescribe.

SECTION 3. *Joint Membership.* A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in 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 a joint membership and any provisions relating to the rights and liabilities of 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 meetings.
- (b) The vote of either separately or both jointly shall constitute one joint 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 board member, 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 written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, bylaws, and rules and regulations adopted by the board. The out-standing membership certificate 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 debts due the Cooperative.

SECTION 5. *Membership Fees.* The membership fee shall be set by the Board of Directors.

SECTION 6. *Purchase of Services.* Each member shall, as soon as service is available, take service from the Cooperative and shall pay therefor monthly at rates in accordance with established tariffs as fixed by the board. It is expressly understood that amounts paid for services in excess of costs are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these bylaws. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

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 members of the board, expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws, or rules and regulations adopted by the board, but only if such member shall have been given written notice by the Cooperative 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 of any annual or special meeting. The membership of a member who for a period of thirty (30) days after service is available to him has not permitted the installation of service, or of a member who has ceased to purchase service from the Cooperative, may 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 there upon 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) 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 owed by the member to the Cooperative.

SECTION 8. *Easements for Cooperatives Lines.* Members shall, without charge to the Cooperative, grant to it easements over land owned by them for the transmission and distribution

lines of the Cooperative, and the board of directors may require from applicants for membership the return of any payments previously made to such applicants for easements.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. *Property Interest of Members.* Upon dissolution, after;

- (a) All 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, 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 all members during the ten years next preceding the date of the filing of the certificate of dissolution, or, if the Cooperative shall not have been in existence for such period during the period of its existence.

SECTION 2. *Non-liability for Debts of the Cooperative.* The private property of the members shall be exempt from execution or 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 MEETINGS OF MEMBERS

SECTION 1. *Annual Meeting.* The annual meeting of the members shall be held during the month of May of each year beginning with the year 1974 at such place within a county served by the Cooperative, as selected by the board and which shall be designated in the notice of the meeting, for the purpose of electing board members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the board to make adequate plans and preparations of the annual meeting. 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 board members, by the President, or by not less than 200 members or by ten per centum 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 one of the counties served by the Cooperative as designated by the board and shall be specified in the notice of the special meeting.

SECTION 3. *Notice of Members Meetings.* Written or printed notice stating the place, day and hour of the meeting and, 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 called, shall be delivered not less than ten days nor more than twenty days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in the duty by the Secretary, by the persons calling the meeting, to each member. 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 prepaid. 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 the members at any such meeting.

SECTION 4. *Quorum.* As long as the total number of members does not exceed five hundred, ten per centum 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 members of five per centum 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 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 thereon in person except as otherwise provided by law, the articles of incorporation, or these bylaws.

SECTION 6. *Mail Voting.* Any member who is absent from any annual or special meeting of the members may vote by mail upon any motion or resolution to be acted upon at any such meeting in connection with the borrowing of funds from the United States of America or any agency or instrumentality thereof, the sale mortgage lease of other disposition or incumbrance of property to the United States of America or any agency or instrumentality thereof. The Secretary shall enclose with the notice of such meeting an exact copy of such motion or resolution to be acted upon and such absent member shall express his vote thereon by writing "Yes" or "No" on each such motion or resolution in the space provided therefor and enclose such copy so marked in a sealed envelope bearing his name and addressed to the-Secretary. When such written vote so enclosed is received by mail from any absent member, it shall be accepted and counted as a vote of such absent member at such meeting. If a husband and wife hold a joint membership and are absent from any annual or special meeting of the members they shall jointly be entitled to vote by mail as provided in this section. The failure of any such member to receive a copy of any such motion or resolution or ballot shall not invalidate any action which might be taken by the members as such meeting.

SECTION 7. *Order of Business.* The order of business at the annual meeting of the members and, so far, as, possible at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting:

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, trustees, and committees.
5. Election of board members.

6. Unfinished business.
7. New Business.
8. Adjournment.

ARTICLE IV BOARD MEMBERS

SECTION 1. *General Powers.* The business and affairs of the Cooperative shall be managed by a board of directors, consisting of nine (9) members. The membership of the Board of Directors shall be based as follows:

New Hope, four (4) members on the Board of Directors; Owens Cross Roads, two (2) members on the Board of Directors; and Grant, three (3) members on the Board of Directors.

The Board shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation, or these bylaws conferred upon or reserved to the members.

SECTION 2. *Election and Tenure of Office.* The persons presently serving as directors of the Cooperative shall compose the Board until the first annual meeting or until their successors shall be elected by a secret ballot at each annual meeting of the members, beginning with the year 1984 by and from the members at large to serve until the next annual meeting of the members or until their successors shall have been elected and shall have qualified. If an election of directors shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing directors within a reasonable time thereafter. Directors may be elected by a plurality vote of the members. All elected directors shall serve a term of four (4) years provided they do not resign, or are not removed from office by the members. All directors terms will be staggered so that two (2) are elected each year, except in 1987 three (3) members of the Board of Directors shall be elected and every four (4) years thereafter, i.e., 1991, 1995, etc., three (3) members of the Board of Directors shall be elected.

SECTION 3. *Qualifications.* No Person shall be eligible to become or remain a board member of the cooperative who:

- (a) is not a member of the Cooperative; and
- (b) is not a bona fide resident of the respective exchange from which said Board member was elected;
- (c) is in any way employed by or financially interested in a competing enterprise or a business engaged in selling or reselling telephone service or supplies, or constructing or maintaining telephone facilities, other than a business operating on a cooperative non-profit basis for the purpose of furthering rural telephony.

Upon establishment of the fact that a board member is holding the office in violation of an of the foregoing provisions, the board shall remove such board member from office. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the board.

SECTION 4. *Nominations.* It shall be the duty of the board to appoint, not less than thirty (30) days nor more than seventy-five (75) days before the date of a meeting of the members at which board members are to be elected, a three member (3) committee on nominations consisting of one (1) member from each exchange, so as to insure equitable representation. No member of the board may serve on such committee. The committee, keeping in mind the principle of equitable representation, shall prepare and post at the principal office of the Cooperative at least twenty (20) days before the meeting a list of nominations for board members which shall include at least two candidates for each board position to be filled by the election. The Secretary shall be responsible for mailing 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 board members to be elected and the names and addresses of the candidates nominated by the committee on nominations. Any fifty (50) or more members 'acting together may make other nomination by' petition and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. Nominations made by petition, if any, received at least five (5) days before the meeting shall be included on the official ballot. Later nominations by petition shall be treated as nominations from the floor. The chairman shall call for additional nominations from the floor and nominations shall not be closed until at least one minute has passed during which no additional nomination has been made. No member may nominate more than one candidate, for the same position.

Any nominee by petition or from floor must meet the qualifications stated in the Bylaws, Article IV, Section 3.

SECTION 5. *Failure of Action by the Nominating Committee.* In the event the nominating committee fails to make a report after 3 requests by the Secretary and having been notified and appointed in accordance with the Bylaws Article IV Section 4, it shall be the duty of the Board of Directors to make said nominations or nomination based upon the guidelines set out in the Bylaws, Article IV, Sections 1 through 4.

SECTION 6. *Removal of Board Member by Members.* Any member may bring charges against a board member and, by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum (10%) of the members or two hundred (200) members, whichever is the lesser, may request the removal of such board member by reason thereof. Such board member shall be informed in writing of the charges at least ten 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 to the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such board member 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 nominations. Such meeting shall be closed to anyone except the members and employees of the Cooperative.

SECTION 7. *Vacancies.* Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of board members by the members, a vacancy occurring in the board shall be filled by the affirmative vote of a majority of the remaining board members 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 to nominations.

SECTION 8. *Compensation.* Board members shall not receive any salary for their services as such, except that the Board may by resolution authorize a fixed sum for attendance at Board meeting, Public Service Commission hearings, conventions, seminars, conferences, contract negotiations with the Bell System, or performing committee assignments when authorized by the "Board and training programs. If authorized by the Board, board members may also be reimbursed for expenses actually and necessarily incurred in carrying out Cooperative business such as attendance at Board meetings, Public Service Commission hearings, conventions, seminars and conferences, contract negotiations with the Bell system, or performing committee assignments when authorized by the Board, and training programs, or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a board member receive compensation for serving the Cooperative. For the purpose of this section, a close relative includes grandparents, parents, husband, wife, children, grandchildren, brothers, and sisters, by blood, by marriage or by adoption, and spouses of any of the foregoing.

ARTICLE V MEETINGS OF BOARD

SECTION 1. *Regular Meetings.* A regular meeting of the board shall be held without notice, immediately after the annual meeting of the members. The frequency of the regular Board meetings shall be determined by a Board resolution except that the Board shall meet at least once quarterly and no more than once a month. Such regular 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 board members, 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 board members calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 3. *Notice of Board Meetings.* Written notice of the time, place and purpose of any special meeting of the board shall be delivered to each board member either personally or by mail, by or at the direction of the Secretary, or upon default in duty by the Secretary, by the President or one 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 postage thereon prepaid, at least five days before the date set for the meeting.

SECTION 4. *Quorum.* A majority of the board shall constitute & quorum, provided, that if less than such majority of the board is present at said meeting, a majority of the board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent board members of the time and place of such adjourned meeting. The act of a majority of

the board members present at a meeting at which a quorum is present shall be the act of the board, except as otherwise provided in these bylaws.

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 Secretary and 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 officers 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. A 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 the Board.* Any officer or agent elected or appointed by the board may be removed by the board whenever in its judgment the best interests of the Cooperative will 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 per centum of the members or 200; 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 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 may 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 issuance of which shall have been authorized by the board or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the board to be executed, except in cases in 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 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 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 bylaws or as required by law;

(c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing 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) keeping a register of the names and post office addresses of all members;

(e) signing with the President, certificates of membership, the issue of which shall have been authorized by the board or the members;

(f) keeping 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, furnishing a copy of the bylaws and of all amendments thereto to each member, and

(g) in general performing 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.

SECTION 7. *Treasurer.* The Treasurer shall be responsible for:

(a) custody of all funds and securities of the Cooperative

(b) the receipt of and issuance of receipts for 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 as shall be selected in accordance with the provisions of these bylaws; and

(c) the general performance of 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.

SECTION 8. *Manager.* The board may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the board may from time to time vest in him.

SECTION 9. *Bonds of Officers.* The Treasurer and other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the board shall determine. The board in its discretion may, also require any other officer, agent, or, employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

SECTION 10. *Compensation.* The powers, duties, and compensation of officers, agents, and employees shall be fixed by the board subject to the provisions of these bylaws with respect to compensation for a board member and close relatives of a board member.

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 OPERATION

SECTION 1. *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 2. *Patronage Capital in Connection with Furnishing Telephone and Other Communication Services.* In the furnishing of telephone and other communication services the Cooperatives operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of telephone and other communication services in excess of operating costs and expenses property chargeable against the furnishing of telephone and other communications services. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each 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 his account. All such amounts credited to the capital account of any patron shall have the same status as though they 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.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be

- (a) used to offset any losses incurred during the current or any prior fiscal year and
- (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

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 right of members. 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 credited to patrons' accounts may be retired in full or in part. After January 1, 1977 and thereafter, the Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital.

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 a part of such patron's premises served by the Cooperative unless the board, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these bylaws, the board at its discretion, shall have the power at any time upon the death of any patron, who was a natural person, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon: provided, however, that the financial condition of the Cooperative will not be impaired; provided, further however, that the aggregate amounts so retired in any one year shall not exceed an amount set by the Board of Directors; and provided further however, that, if acting under policies set by the Board of Directors, the amount is not sufficient to retire the capital credited to any such patron or patrons, such patron or patrons shall have the capital credited to them retired in the next succeeding year before' any other requirements are made in such succeeding year.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and 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 a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

The management shall make diligent efforts to distribute capital credit refunds to non-active members. All unlocated capital credit refunds shall be redistributed on a pro rata basis to active members at the end of the year following the year in which the distribution was made. Inactive members may claim a prior capital credit refund anytime even though it may have been redistributed. These late claims shall be charges against patronage capital unassigned.

All rebates on the Federal Excise Tax by the Internal Revenue Department on that part of the billing that exceeds .the cost of providing telephone services shall be credited to each individual's patronage capital credit account as received on a pro rata basis.

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 of the Cooperative, without authorization by 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 therefrom, 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 the authorization of a majority of those 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 this Cooperative is incorporated.

ARTICLE IX SEAL

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal State of Alabama."

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 the payment of money, and all notes, bonds, or other evidences 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 except petty cash 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 the Rural Electrification Administration of the United States of America not less than ninety days prior to the date upon which the proposed change in the rates charged by the Cooperative for telephone service becomes effective.

SECTION 5. *Fiscal Year.* The Fiscal Year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty first day of December of the same year.

ARTICLE XI MISCELLANEOUS

SECTION 1. *Membership in Other Organizations.* The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided, however, that the Cooperative may, upon the authorization of the board, purchase stock in or become a member of any corporation or organization subject to ratification of such act by the members at their next meeting.

SECTION 2. *Waiver of Notice.* Any member or board member may waiver in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or board member at any meeting shall constitute a waiver of notice of such meeting by such member or board member, except in case a member or board member shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

SECTION 3. *Policies, Rules and Regulations.* The board shall have power to make and adopt such policies, 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 the Rural Electrification Administration of the United States of America. The board shall also cause to be made by a certified public accountant a full and complete annual audit of the accounts, books, and financial condition of the Cooperative. The results of such audit shall be reported to the members at the next following annual meeting.

SECTION 5. *Area Coverage.* The board shall make diligent effort to see that telephone service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

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 repeal; provided, further, that Section 5 and 6 of Article III (relating to voting by members), Article VIII (relating to disposition of property), and Article XII (relating to amendment) of the bylaws may be altered, amended, or repealed only by the affirmative vote of not less than two thirds of all of the members of the Cooperative.