

**BYLAWS**  
of  
Coleman County Telephone Cooperative, Inc.

**ARTICLE I**  
**MEMBERSHIP**

SECTION 1. REQUIREMENTS FOR MEMBERSHIP. Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of Coleman County Telephone Cooperative, Inc. (hereinafter called the "Co-op") by:

- (a) Making a written or electronic application for membership therein;
- (b) Agreeing to purchase from the Co-op communicationstelephone service as hereinafter specified;
- (c) Agreeing to comply with and be bound by the articles of incorporation, any bylaws of the Co-op and any rules and regulations adopted by the board of Directors (hereinafter called the "Board"); and
- (d) Agreeing to pay the membership fee hereinafter specified on uniform terms and conditions established by the Board; 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 Co-op 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. No member may hold more than one membership in the Co-op, and no membership shall be transferable, except as provided in these bylaws.
- (e) All applications for membership received more than thirty (30) days prior to each meeting of the members which have not been accepted or which have been rejected by the Board shall be submitted by the Secretary to such members meeting and subject to compliance by the Applicant with the requirements hereinbefore set forth, and such application may be accepted by vote of the members. The Secretary shall give each Applicant at least ten (10) days written notice of the date of the members meeting to which his application will be submitted and such Applicant shall be entitled to be present and heard at the meeting.
- (f) No applicant may become a member if the applicant is a competing enterprise or business engaged in selling or reselling services furnished by the Cooperative to its members and/or is engaged in the selling or reselling of long distance telephone service.

SECTION 2. MEMBERSHIP CERTIFICATES. Membership in the Co-op 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 certificate shall be signed by the President and by the Secretary and the corporate seal shall be affixed thereto, or the requirement for a certificate can be evidenced on the books of the Cooperative. No membership certificate shall be issued for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid for. In case a certificate is lost, destroyed or mutilated a new certificate may be issued therefor upon such terms and indemnity to the Co-op as the Board may prescribe.

SECTION 3. JOINT MEMBERSHIP. ~~A husband and wife~~Legal spouses 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~~legal spouses 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 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 of such holder and his or her spouse to comply with the articles of incorporation, bylaws, and any rules and regulations adopted by the Board. The outstanding membership certificate shall be surrendered, and shall be reissued by the Co-op 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 shall be surrendered, and shall be reissued in such manner as shall indicate the changed status, provided, however, that the estate of the deceased shall not be released from any debts due the Co-op.

SECTION 5. MEMBERSHIP AND SERVICE CONNECTION FEES. (Amended 02/18/60) The fee for membership in the Co-op shall remain at \$10.00 (ten dollars); but from this date forward, new members shall not be required to pay into the Co-op any equity. It being the intention that from this date forward all equity payments into the Co-op shall cease.

SECTION 6. PURCHASE OF ~~Communications~~TELEPHONE SERVICE. Each member shall, as soon as ~~communicationstelephone~~ service is available, take ~~telephone~~ service from the Co-op to be used on the premises specified in his application for membership, and shall pay therefore monthly at rates which shall from time to time be fixed by the Board; provided, however, that the Board may limit the amount of ~~telephone~~ service which the Co-op shall be required to furnish to any one member. It is expressly understood that amounts paid for ~~communicationstelephone~~ service in excess of the cost of service 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 pay the Co-op such minimum amount per month for ~~each communicationstelephone~~ service as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by him to the Co-op as and when the same shall become due and payable.

The Board shall determine, within the limits set by law, what constitutes, communications service for the purposes of membership at the Cooperative. At a minimum, communications service for the purposes of membership shall include traditional dial tone telephone service that has historically been the basis for membership in the Cooperative. Once a service is determined to be communications service for the purposes of membership, that determination can only be reversed by a vote as a meeting of the members.

#### SECTION 7. TERMINATION OF MEMBERSHIP.

- (a) Any member may withdraw from the 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 telephonecommunications service from the Co-op, shall be cancelled by the Board.

(b) Upon the withdrawal, death, cessation of existence or expulsion of a member or a member discontinuing to receive telephonecommunications service from the cooperative, the membership of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Co-op. Termination of membership in any manner shall not release a member or his estate from any debts due the Co-op.

(c) If a membership fee has been paid by a landlord on behalf of his tenant, upon the removal of such tenant from the premises of the landlord, the membership of such tenant shall terminate.

(d) Upon termination of membership for any reason, the Co-op shall not repay to the member or to his landlord, in case the membership fee shall have been paid on behalf of the member by his landlord, the amount of membership fee paid unless a successor in occupancy or ownership of the premises served by the Co-op shall have been accepted as a member and a membership fee shall have been paid by or on behalf of such successor in accordance with the provisions of these bylaws. Any refund of membership fees pursuant to this subsection shall be made in the order in which memberships shall have been terminated. Prior to the repayment of a membership fee paid by the member, the Co-op shall deduct from the amount of such membership fee the amount of any debts owing from the member to the Co-op.

(e) A member's membership will be terminated if that member becomes a competing enterprise or business engaged in selling or reselling services furnished by the Cooperative to its member.

## **ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS**

SECTION 1. PROPERTY INTEREST OF MEMBERS. Upon dissolution after (a) all debts and liabilities of the Co-op 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 Co-op 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 such members during the ten (10) years next preceding the date of the filing of the certificate of dissolution.

SECTION 2. NON-LIABILITY FOR DEBTS OF THE CO-OP. The private property of the members shall be exempt from execution or other liability for the debts of the Co-op and no member shall be liable or responsible for any debts or liabilities of the Co-op.

## **ARTICLE III MEETING OF MEMBERS**

SECTION 1. ANNUAL MEETING. The annual meeting of the members shall be held during the month of April of each year, beginning with the year 2017, at such place in the County of Coleman, State of Texas, as selected by the Board, and which shall be designated in the notice of the meeting 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. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Co-op.

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 200 members or 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 the County of Coleman, State of Texas, specified in the notice of the special meetings.

SECTION 3. NOTICE OF MEMBERS' MEETINGS. Written 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-five days before the date of the meeting, either personally or by mail, or at the direction of the Secretary, or upon a default in 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 Co-op, 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 or two 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 the 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. Multiple choice issues shall be decided by a plurality vote.

SECTION 6. 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, directors, and committees.
5. Election of Directors
6. Unfinished business.
7. New business.
8. Adjournment.

## **ARTICLE IV DIRECTORS**

SECTION 1. GENERAL POWERS. The business and affairs of the Co-op shall be managed by a board of seven directors which shall exercise all of the powers of the Co-op 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 named as directors in the articles of incorporation shall compose the Board until the first annual meeting of the members or until their successors shall have been elected and shall have qualified. Directors shall be elected by secret ballot at the annual meetings of the members. Four directors shall be elected by secret ballot at the annual meeting of the membership in 1989 by and from the membership. Three of these directors, one from each district whose term expires, shall serve three years, and one director shall serve two years. The Board of Directors shall determine by lot at a meeting following the annual meeting of the members which directors shall serve a three (3) year term and which director shall serve a one year term. Three (3) directors shall be elected by secret ballot at the annual meeting of the membership in 1990 by and from the membership. Two of these directors, one from each district whose terms expire, shall serve three (3) years and one director shall serve one year. The Board of Directors shall determine by lot at a meeting following the annual meeting of the members which directors shall serve a three (3) year term and which director shall serve a one year term. Thereafter, as directors' terms expire, the members shall elect their successors to

serve for three (3) year terms, or until their successors are elected and shall have qualified.

SECTION 3. QUALIFICATIONS. No person shall be eligible to become or remain a director of the Co-op who:

- (a) is not a member and is not presently residing in the area served or to be served by the Co-op; or
- (b) is in any way employed by or financially interested in a competing enterprise or business engaged in selling telephonecommunications 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 director is holding office in violation of any of the foregoing provisions, the Board shall remove such director 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 forty (40) nor more than seventy (70) days before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five nor more than eleven members who shall be selected from different sections so as to insure equitable representation. No member of the Board may serve on such committee. The committee, keeping in mind the principle of geographical representation, shall prepare and post at the principle office of the cooperative at least thirty (30) days before the meeting a list of nominations for directors which shall include at least two candidates for each director to be elected. 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 addresses of the candidates. The Ballot to be used at the election shall list the names and addresses nominated by the committee.

SECTION 5. REMOVAL OF DIRECTORS BY MEMBERS. Any member may bring charges against a director by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum of the members, or two hundred members, whichever is the 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 bearing 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 nominations.

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 to nominations.

SECTION 7. COMPENSATION. Directors shall not receive any salary for their services as directors; provided however, a fixed fee of \$20.00 (twenty dollars) and expenses, if any, shall be paid to each director for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the Board of Directors. Directors shall be eligible to participate in the Cooperative's Group Health Insurance Program in accordance with, and subject to the limitations set forth in, Board Policy #8, as revised. If authorized by the Board, directors may also be reimbursed for expenses actually and necessarily incurred by themselves or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses.

Other than the compensation and reimbursement outlined in this Section 7, and except in emergencies, neither Directors, nor any other person, shall receive any salaries for the Director's services in any capacity without the approval of the members of the Cooperative. Salaries shall be paid only to employees of the Cooperative and shall be paid in accordance with all Board Policies and Bylaws related to such compensation. The Board of Directors by resolution is hereby authorized to declare an emergency.

## **ARTICLE V MEETINGS OF DIRECTORS**

**SECTION 1. REGULAR MEETINGS.** A regular meeting of the Board shall be held monthly at such time and place in Coleman County, Texas, as the Board may provide by resolution. Such regular monthly meeting 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 Coleman County, Texas), for the holding of the meeting.

**SECTION 3. NOTICE OF DIRECTORS' MEETINGS.** Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each director not less than five days previous thereto 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 the directors calling the meeting. If mailed, such notices shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Co-op, with postage thereon prepaid.

**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 Co-op 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 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 of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until 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 interests of the Co-op will be served thereby. In addition, any member of the Co-op 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 two hundred 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 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.

SECTION 4. PRESIDENT. The President shall:

- (a) be the principal executive officer of the Co-op and unless otherwise determined by the members or 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, 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 Co-op, 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 subjected 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 given in accordance with these bylaws or as required by laws;
- (c) be custodian of the corporate records and of the seal of the Co-op and affix the seal of the Co-op to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Co-op under its seal is duly authorized in accordance with the provisions of these 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 Co-op;
- (g) keep on file at all times a complete copy of the articles of incorporation and bylaws of the Co-op containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Co-op, 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.

SECTION 7. TREASURER. The treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Co-op;
- (b) be responsible for the receipt of and the issuance of receipts for all moneys due and payable to the Co-op and for the deposit of all such moneys in the name of the Co-op in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and
- (c) 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.

SECTION 8. MANAGER. The Board may appoint a manager who may be, but who shall not be required to be, a member of the Co-op. 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 any other officer or agent of the Co-op charged with responsibility for the custody of any of its funds or property shall give bond 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 Co-op to give bond 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 directors and close relatives of directors.

SECTION 11. REPORTS. The officers of the Co-op shall submit at each annual meeting of the members reports covering the business of the Co-op for the previous fiscal year. Such reports shall set forth the condition of the Co-op at the close of such fiscal year.

## **ARTICLE VII NON-PROFIT OPERATION**

SECTION 1. INTEREST OR DIVIDEND ON CAPITAL PROHIBITED. The Co-op shall at all times be operated on a cooperative non-profit basis for the mutual benefits of its patrons. No interest or dividends shall be paid or payable by the Co-op on any capital furnished by its patrons.

SECTION 2. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ~~TELEPHONE AND OTHER~~ COMMUNICATIONS SERVICES. In furnishing of ~~telephone and other~~ communication services the Co-op's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Co-op. In order to induce patronage and to assure that the Co-op will operate on a non-profit basis, the Co-op is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of ~~telephone and other~~ communication services in excess of operating costs and expenses properly chargeable against the furnishing ~~of telephone and other of~~ communication services. All such amounts in excess of operating costs and expenses at the moment of receipt by the Co-op are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital. The Co-op 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 Co-op 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 Co-op 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 Co-op corresponding amounts for capital.

All other amounts received by the Co-op 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 Co-op, after all outstanding indebtedness of the Co-op 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 members, if, at any time prior to dissolution or liquidation the board shall determine that the financial condition of the Co-op will not be impaired thereby, the capital to patrons' accounts may be retired in full or in part.

Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Co-op being first retired. The Co-op, before retiring any capital credits, membership deposits or fees, to any member, shall deduct therefrom any amount owing by such member to the Co-op, together with interest thereon at the Texas legal rate on judgments in effect when such amount became past due, compounded annually.

Capital credited to the account of each patron shall be assignable only on the books of the Co-op pursuant

to written instructions 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 Co-op 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 Co-op will not be impaired thereby.

The patrons of the Co-op, by dealing with the Co-op, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Co-op and each patron, and both the Co-op 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 Co-op by posting in a conspicuous place in the Co-op's office.

### **ARTICLE VIII DISPOSITION OF PROPERTY**

The Co-op 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 the members of the Co-op, 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, 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 Co-op, 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 Co-op to the United States of America, or any instrumentality or agency thereof, and/or the Rural Telephone Bank, Rural Telephone Finance Cooperative, the National Rural Utilities Cooperative Finance Corporation, Texas Bank for Cooperatives, or other financing institution organized for the benefit of rural utility systems; or to a national financing institution organized on a cooperative plan for the purpose of financing its members' programs, projects, and undertakings, in which the cooperative holds membership, or any successor institution thereof; provided further that the Board may upon the authorization of a majority of those members of the Co-op present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another Co-op or foreign corporation doing business in this State pursuant to the Act under which this Co-op is incorporated.

### **ARTICLE IX SEAL**

The corporate seal of the Co-op shall be in the form of a circle and shall have inscribed thereon the name of the Co-op and the words "Corporate Seal".

### **ARTICLE X FINANCIAL TRANSACTIONS**

**SECTION 1. CONTRACT.** Except as otherwise provided in these bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract to execute and deliver any such instrument in the name and on the behalf of the Co-op, 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 Co-op shall be signed by such officer or officers, agent or agents, employee or employees of the Co-op and in such manner as from time to time be determined by resolution of the Board.

SECTION 3. DEPOSITS. All funds of the Co-op shall be deposited from time to time to the credit of the Co-op in such bank or banks as the Board may select.

SECTION 4. CHANGE IN RATES. ~~Written notice shall be given to the Administrator of REA of the United States of America not less than ninety days prior to the date upon which~~All notices required by law or loan covenants will be properly given for any proposed change in the monthly rates charged by the Co-op for ~~communications~~telephone service will be provided prior to the date they become effective.

SECTION 5. FISCAL YEAR. The fiscal year of the Co-op 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 Co-op, 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 communication 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 REA, the Co-op, upon the authorization of the Board of Directors, may purchase stock in or membership on behalf of the Co-op, in a corporation or organization deemed necessary by the Directors for the more efficient operation of the Co-op and for providing telephone and communication 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 either before or after such meeting. 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 a member or director 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. RULES AND REGULATIONS. The Board shall have power to make and adopt such rules and regulations, not inconsistent with the law, the articles of incorporation or these bylaws, as it may deem advisable for the management of the business and affairs of the Co-op.

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 systems as may from time to time be designated by the Administrator of REA 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 condition of the Co-op as of the end of such fiscal year. Such audit reports shall be submitted 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 Co-op service area who (a) desire such service and (b) meet all reasonable requirements established by the Co-op as a condition of such service.

### SECTION 6. INDEMNIFICATION OF DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES

(a) Indemnity for Expenses and Liability. Every director, officer, agent and employee of the Co-op shall be indemnified by the Co-op against all judgments, penalties, fines, liabilities, amounts

paid in settlement and reasonable expenses, including counsel fees actually incurred by or imposed upon him or her in connection with any proceeding to which he or she was, is or is threatened to be made a party, or in which he or she may become involved, by reason, in whole or in part, of being or having been a director, officer, agent or employee of the Co-op, whether or not he or she is a director, officer, agent or employee at the time such expenses are incurred, to the maximum extent consistent with the provisions of Article 1528c. Section 4A, Texas Telephone Cooperative Act and of Article 2.22A of the Texas Non-Profit Corporation Act; provided that in the event of a settlement the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interest of the Co-op. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director officer, agent or employee may be entitled.

(b) Power to Purchase Insurance. The Co-op shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, agent or employee of the Cooperative, or is or was serving at the request of the Co-op as a director, officer, agent or employee of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Co-op would have the power to indemnify him against such liability under the provision of this Article.

(c) Continuing Offer Reliance. The provisions of this Article are for the benefit of, and may be enforced by, each director, officer, agent or employee of the Co-op as a contract for valuable consideration and constitute a continuing offer to all present and future directors, officers, agents and employees of the Co-op. The Co-op, by the adoption of this Article agrees that each present and future director, officer, agent and employee of the Co-op has relied upon and will continue to rely upon the provisions of this Article in accepting, serving or continuing to serve as director, officer, agent or employee.

(d) Effect of Amendment. No amendment, modification or repeal of this Article XI, Section 6, or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future director, officer, agent or employee of the Co-op to be indemnified by the Co-op, nor the obligation of the Co-op to indemnify any such director, officer, agent or employee, under and in accordance with the provisions of the Article as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

## **ARTICLE XII AMENDMENTS**

~~These bylaws may be altered, amended, or repealed by the members at any regular or special meeting, provided the notice of the meeting shall have contained a copy of the proposed alteration, amendment, or repeal. These bylaws may be altered, amended, rescinded or rewritten by the affirmative vote of not less than a majority of the Directors in office, at any regular or special Board meeting, but only if the notice of such meeting shall have contained a copy of the proposed alteration, amendment, rescindment, or an accurate summary explanation thereof; provided, however, that the provisions of Article VIII relating to a major disposition of the Co-op's property, and Article VII, Section 2, Paragraph 3, relating to the dissolution of the Co-op, may be altered, amended or rescinded only by the affirmative vote of not less than two-thirds of all current members of the Co-op voting in person and without proxies. When the Board effects bylaw changes or revisions for Sections other than Article VIII and Article VII, Section 2, Paragraph 3, the specific changes or revisions become effective thirty (30) days after they are promulgated to the membership at large.~~

