

**BYLAWS  
OF  
SANTA ROSA TELEPHONE COOPERATIVE, INC.  
VERNON, TEXAS  
(As Amended March 2, 2020)**

It shall be the aim of the Santa Rosa Telephone Cooperative, Inc. to provide dependable area- wide communications service on the cooperative plan and at the lowest cost consistent with sound economy and good management.

**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 Santa Rosa 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 communications service as hereinafter specified; and
- (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"); and
- (d) to execute and deliver to the Cooperative such grants of easements and right-of-way on, over, under and across all lands owned, leased or otherwise controlled by the member, and in accordance with such reasonable terms and conditions as the Cooperative requires for purposes of:
  - (i) furnishing such services to such member and to other members;
  - (ii) construction, operation, maintenance and relocation of the Cooperative's facilities; and
  - (iii) satisfaction or facilitation of any obligation incurred or right granted by the Cooperative to third parties regarding the use of the Cooperative's property; 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.

**Section 2. DEFINITION AND CLASSIFICATIONS.** The Cooperative may have one or more classes of Members in order to recognize differences in contribution to margin of different classes. If the Board establishes more than one class of membership, it shall determine the definitions, the types, the qualifications of rights of each class and make such information readily available to the membership.

Individual memberships will be freely transferable on the books of the Cooperative between any persons in the same household or entity upon request in writing. Thus, the term “member” as used in these Bylaws shall refer to an individual or an entity, but can, on a grandfathered basis, be deemed to include a husband and wife still 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 grandfathered 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 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 if individually qualified;
- (h) Upon the death of either spouse who is a party to the joint membership, such membership shall be converted to an individual membership. However, the estate of the deceased shall not be released from any debts due the Cooperative.

**Section 3. ORGANIZATIONAL MEMBERSHIPS.** 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 interests in any meeting of members or any otherwise needed representation of that membership interests.

**SECTION 4. PURCHASE OF COMMUNICATIONS SERVICE.** Each Member shall, as soon as communications service is available, take communications service from the Cooperative to be

used on the premises specified in his application for Membership, and shall pay therefor monthly at rates which shall from time to time be fixed by the Board; provided, however, that the Board may limit the amount of communications service which the Cooperative shall be required to furnish to any one member. It is expressly understood that amounts paid for communications 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 to the Cooperative such minimum amount per month for communications service as shall be fixed by the Board from time to time. Each Member shall also pay all amounts owed by him to the Cooperative 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 any class of membership at the Cooperative.

#### **Section 6. 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 (2/3) 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 the 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 communications 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 of his estate from any debts due the Cooperative.
- (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.

## **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 in an equitable manner as determined by the Board.

**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 responsible for any debts or liabilities of the Cooperative.

## **ARTICLE III MEETING OF MEMBERS**

**Section 1. ANNUAL MEETING.** The annual meeting of the Members shall be held at least once each year, at a place and time determined by the Board as 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. If the day fixed for the Annual Meeting shall fall on a Sunday or legal holiday, such meeting shall be held on the next succeeding business 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 (3) 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 Wilbarger, 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 (10) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, or electronic transmission by 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 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.** Business may not be transacted at any meeting of the members unless there are present in person at least fifty (50) members or one percent (1 %) of the then total members of the Cooperative, whichever is lesser, except that, if less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date, provided that the secretary shall notify any absent members of the time, date, and place of such adjourned meeting by delivering notice

thereof as provided in Section 3. At all meetings of the members, whether a quorum be present or not, the secretary shall affix to the meeting minutes, or incorporate therein by reference, the number of those members who were registered as 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 thereon in person except as otherwise provided by law, the Articles of Incorporation or these Bylaws. Multiple choice issues or determinations shall be decided by a plurality vote. Cumulative voting is not permitted.

At its discretion, the Board may authorize mail and/or electronic voting for elections and develop, by policy, methods of validation of ballots prior to the distribution of ballots in any given election cycle. Any mail or electronic balloting requirements and policies shall be developed and approved by the Board of Directors and reviewed on an annual basis.

**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 I. GENERAL POWERS.** The business and affairs of the Cooperative shall be managed by a board of not more than seven (7) directors, which number shall be set from time-to-time by the Board. 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.**

- (a) Election. The members of the Board of Directors shall be elected to three (3) year terms by secret ballot, voice vote, or acclamation at each Annual Meeting by and from the membership.
- (b) Candidates for Election. The Board of Directors shall divide the membership served by the cooperative into as many alphabetical zones as the Board of Directors shall deem appropriate from time to time, taking into consideration the membership of each alphabetical zone being as equal as possible. One director shall be elected for each of said alphabetical zones. However, at no time shall the Board of Directors consist of two or more members of the cooperative who reside in or receive services from the same exchange area served by the cooperative. An exchange area served by the cooperative is defined as a unit established by the cooperative for the administration of telecommunications service in a specified area for which a separate local rate schedule is provided.
- (c) Terms. Directors shall be elected to three (3) year terms, to serve until their successors are duly elected and shall have qualified.
- (d) Director Classes. Directors shall be divided into three (3) classes such that approximately one-third (1/3) of the board is up for election each year.
- (e) Plurality. Directors may be elected by plurality vote of the members

**Section 3. QUALIFICATIONS.** Any Member who is a natural person shall be eligible to become or remain a Director provided that he/she:

- (a) Is a member in good standing and presently resides in the area served, or to be served, by the Cooperative.
- (b) Is not an employee of the Cooperative or in any way financially interested in a competing enterprise or a business engaged in selling communications services, communications supplies, or maintaining communications facilities. However, the Board may grant exceptions for “de minimis” competing enterprises.
- (c) Is not a former employee of the Cooperative who was terminated for cause. A former employee who was not terminated for cause may be eligible to become a Director no sooner than a date two (2) years from the time the member’s employment with the Cooperative ended.
- (d) Has not, while a Director, and during the ten (10) years immediately before becoming a Director, been convicted of, or plead guilty to, a felony, two (2) misdemeanors (excluding minor traffic violations), or any offense involving moral turpitude.

- (e) Is not closely related to an incumbent Director or an employee of the Cooperative. As used in these Bylaws, “closely related” means a person who is related to the principal person by consanguinity or affinity, to the second degree or less—that is, a person who is either a spouse, child, grandparent, parent, brother, sister, aunt, uncle, nephew or niece, by blood or in law, of the principal. However, no incumbent Director shall lose eligibility to remain or be reelected as a Director if he becomes a close relative of another incumbent Director or of a Cooperative employee because of a marriage to which he or she was not a party; neither shall an employee lose eligibility to continue in the employment of the Cooperative if he or she becomes a close relative of a Director because of a marriage to which he or she was not a party.
- (f) To remain a Director, the incumbent must:
  - i. Attend at least two-thirds (2/3) of the regular monthly board meetings during each twelve (12) month period, beginning with the month of his/her election, unless the remainder of the board excuses such violation because of medical or personal emergency reasons; and
  - ii. Attend during each three (3) -year term, at least three (3) board-approved national, state or regional meetings, workshops and/or seminars related or pertaining to the continuing education, training, or industry-informational updating, unless the remainder of the board excuses such violation because of medical or personal emergency reasons.
- (g) Upon establishment of the fact that a Director nominee, or incumbent Director, is in violation of any of the provisions of this section, then that nomination or incumbent office shall be deemed vacant, and the Board shall take the necessary action to remove such nominee from the election or the incumbent from office.
- (h) Nothing in this section shall affect in any manner whatsoever, the validity of any action taken at any meeting of the Board.

**Section 4. NOTICE OF CANDIDACY.** Any member desiring to be a candidate for election as a director from an alphabetical zone shall file with the Secretary of the cooperative a written notice, on a form provided by the Secretary, of his or her candidacy and intention to stand for election to the Office of Director of an alphabetical zone. In addition, each candidate must submit, with his notice to stand for election, a petition signed by at least twenty members of the alphabetical zone the candidate is seeking to represent who support his proposed candidacy. The filing period shall be held on the first consecutive Monday, Tuesday and Wednesday of the month of December. Any incumbent director seeking re-election must file for said re-election during the filing period. No supporting petition is necessary for an incumbent director seeking re-election.

At conclusion of the filing period, the cooperative shall prepare and post at the principal office of the cooperative at least 30 days before the annual meeting, a list of candidates for the ballot for each director position up for election. Only person’s names who are on the ballot shall be eligible for election at the following annual meeting.

The candidates for director for each alphabetical zone shall be voted upon only by the member of that alphabetical zone.

In any year in which any of the nominees, as determined by this section, do not have formal challenges for the position after the posted deadline for nominating petitions and prior to the date for distribution of ballots, the Secretary may certify to the Board of Directors that the election for that zone for that year is uncontested. In the event the Secretary certifies that the election is uncontested, the Board of Directors may, for that zone, declare the election uncontested and suspend distribution of ballots for that particular zone. Such certification shall be announced at the Annual Meeting and the nominated director for that zone shall be elected by acclamation.

**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 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 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 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 time foregoing provisions in respect of nominations.

**Section 7. CATASTROPHIC LOSS OF BOARD MEMBERS.** The loss of four (4) 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, pursuant to the qualifications, set out in these Bylaws, to serve as Board members for each of the zones which suffered the 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 8. QUORUM DURING CATASTROPHE.** In the event of a catastrophic loss as defined in Section 7, the traditional quorum requirements are waived pending the appointment of new Board members, in order to allow the remaining Board members to meet and conduct business. All actions of the Board during this time period shall stand for ratification at the next Board meeting wherein a traditional quorum is present.

**Section 9. COMPENSATION.** Directors shall not receive any salary for their services as Directors, except that by resolution of the Board. A fixed sum and actual expenses of attendance, if any, may be allowed 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. No Director shall receive compensation (salary) for serving the Cooperative in any other capacity.

If authorized by the Board, the Board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses.

## **ARTICLE V MEETINGS OF DIRECTORS**

**Section 1. REGULAR MEETINGS.** A regular meeting of the Board may be held without notice, immediately after the annual meeting of the Members. A regular meeting of the Board shall also be held monthly at such time and place in Wilbarger 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 four 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 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 (5) days previous thereto either personally, by mail, electronic facsimile transmission, or by e-mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the Directors calling the meeting. If mailed, such notice 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 Coop, with first-class 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 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 of Treasurer may be held by the same person.

**Section 2. ELECTION AND TERM OF OFFICE.** The officers shall be elected by ballot, or voice vote, at the discretion of the Board, 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. No Director serving as an officer shall serve for a longer period of time than three (3) years running in sequence, but can serve once again if elected, after some other Director serves three (3) years in the same office.

**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 Cooperative will be served thereby. In addition, any Member of the Cooperative may bring charges against any officer, and by filing with the Secretary such charges in writing, together with a petition signed by ten percent 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. 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 or the Board, shall preside at all meetings of the Members of 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 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:

- (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 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 of all amendments thereto to each member;
- (h) in general, perform all duties incident to the Office of Secretary and such other duties as from time to time may be assigned by the Board.

The Secretary shall also have the authority, with the approval of the Board, to delegate to a member of management the authority to appoint employees of the Cooperative to actually carry out certain administrative duties set forth in this section.

**Section 7. TREASURER.** The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative:

- (b) 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,
- (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.

The Treasurer shall also have the authority, with the approval of the Board, to delegate to a member of management the authority to appoint employees of the Cooperative to actually carry out certain administrative duties set forth in this section.

**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, shall carry such titles, 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 Cooperative 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 Cooperative 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.

**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 COMMUNICATIONS SERVICE.** In the furnishing of communications service, the Cooperative's 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 the 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 communications service in excess of operating costs and expenses properly chargeable against the furnishing of communications service. 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 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; (b) allocated as capital credits to members on a patronage basis; or (c) used by the Cooperative as permanent, non-allocated capital.

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 or property rights 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 then credited to patrons' accounts both current and former members may be retired in full or in part. Any such retirement capital shall be made at the discretion of the Board as to the method, priority and order of retirement. The Board may, at its discretion, discount capital credits retired earlier than the Cooperative's then normal rotation cycle.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, 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 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.

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.

Notwithstanding any other provisions of these Bylaws, the Board, at its discretion, shall have the power at any time upon the death of any patron, 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 thereby.

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

The members of the Cooperative have hereby agreed that at such time as (1) the Board has determined to retire any capital credited to any member's account, and (2) the Cooperative, after reasonable efforts, is unable to locate such member to forward payment within two years of the date the capital credits become payable; that member's capital credit payments are hereby assigned to be paid directly into the Cooperative's student scholarship fund. The Cooperative may retain a reserve balance in the scholarship fund to pay any capital credit later claimed by the member. In addition, the Cooperative shall also allow any member to designate the Cooperative's scholarship fund as the recipient of any or all of the member's capital credit payments at any time.

The patrons of the Cooperative, 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.

Exchange carriers, interexchange carriers, information service providers, and all other telecommunications entities are eligible for membership and patronage allocation only 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 any of the following:

1. Their purchase of access or related telecommunications services;
2. Their purchase of equipment;
3. Their joint participation with the Cooperative in the provision of telecommunications services;
4. Their payment of access or regulatory-support program fees or assessments;
5. Their payment of interconnection fees; or
6. Their purchase for resale of any of the Cooperative's services.

## **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, 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 United States of America or any instrumentality or agency thereof; provided further that the Board may, upon the authorization 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 be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words, "Corporate Seal, State of 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 the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Coop 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, officer or officers, agent or agents, employee or employees of the Cooperative, as determined by resolution of the Board, may select.

**Section 4. 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 may become a member or purchase ownership interests in other profit or non-profit organizations, associations, entities, partnerships, or joint ventures when the Board finds that the general or long-term interests of its membership will be served by such investments or participation.

**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 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 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 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 Cooperative 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. INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS.**

- (a) 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 or employee or agent of another Cooperative, corporation, partnership, Joint venture, trust or other enterprise, for all expenses (including attorneys' 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 different or further indemnifications with respect to the same or different persons or classes of persons, and as provided by law.
- (d) 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.

## **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.