

**BYLAWS OF
SOUTHWEST ARKANSAS TELEPHONE COOPERATIVE, INC.**

As Adopted by the Board of Directors with all Amendments through February 26, 2010

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**BYLAWS OF
SOUTHWEST ARKANSAS TELEPHONE COOPERATIVE, INC.**

**ARTICLE I
MEMBERSHIP**

SECTION 1.01. *Eligibility for Membership.*

- (1) Any person, firm, association, corporation, limited liability company, partnership, limited liability partnership or body politic which receives telecommunications service from the Cooperative within any area covered by a Certificate of Convenience and Necessity pursuant to which the Cooperative was operating as of December 31, 1998, is eligible to become a Member of the Cooperative.
- (2) The Board of Directors, by resolution approved by a vote of a two-thirds (2/3) majority of Directors present at a meeting, may expand the membership of the Cooperative to include persons and entities who receive telecommunications services other than local telephone service, or who receive local telephone service in areas other than those mentioned above, provided any such persons or entities are assigned to a different class of membership, with different rights and responsibilities, than those eligible for membership as specified in the first sentence of this Section.
- (3) Membership status shall not be granted any person or entity until:
 - (a) Such person or entity shall have executed and delivered to the Cooperative a membership application in such form as shall be prescribed for such purpose by the Cooperative's Board of Directors; and
 - (b) The Board of Directors shall have approved such executed and delivered application for membership.
- (4) Every application for membership in the Cooperative shall include a covenant undertaking and agreement by the applicant:
 - (a) To purchase telecommunications service from the Cooperative only as an end user of such services, in accordance with the rates, terms and conditions specified by the Cooperative;
 - (b) To comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board; and

- (c) To pay any membership fee established by the Board.
- (5) Purchasers of the Cooperative's services at wholesale, or otherwise for resale, shall not be eligible for membership or patronage credits with respect to such wholesale services. Any person or entity approved as a Member of the Cooperative which, subsequent to acquiring membership status, becomes either (a) a provider of local telephone service (or any unbundled element thereof) within the territory served by the Cooperative, or (b) a reseller of local telephone service (or any unbundled element thereof) purchased or acquired, directly or indirectly, from the Cooperative, shall immediately, without the necessity of action on the part of the Board of Directors or the Members or management of the Cooperative, cease to be a Member of the Cooperative, and cease to have all or any of the rights and privileges of membership in the Cooperative, as of 12:01 a.m. on the date such person or entity shall first provide local telephone service (or any unbundled element thereof) or resells any such service within the area served by the Cooperative.
- (6) Upon acceptance of the application by the Board, membership shall become effective upon the date of commencement of service. Membership eligibility terminates upon disconnection of service. The Board may, however, provide for suspension of service during periods of temporary absence of a Member.

SECTION 1.02. *Definition and Classifications.*

- (1) The Cooperative may have one or more classes of Members in order to recognize differences in financial contribution of different classes. If the Board establishes more than one class of membership, it shall determine the definitions, the types, the qualifications and rights of each class and make such information readily available to the membership.
- (2) No Member may hold more than one membership in any one class of membership offered by the Cooperative. No membership in the Cooperative shall be transferable, except on the books of the Cooperative and as provided for in these Bylaws.
- (3) Each time sharing or interval ownership premise is considered as a single Member. The corporation, partnership or other entity holding or engaging the property will be deemed to hold the membership.
- (4) Memberships in the Cooperative are extended only to individual persons (natural or corporate) who meet the requirements of Section 1.01. Memberships formerly issued to husbands and wives, previously referred to as joint

memberships, will be allowed to continue. However, from the date of adoption of these Bylaws, no new joint memberships will be established.

- (5) The term "Member" as used in these Bylaws shall refer to an individual but can, on a grandfathered basis, be deemed to include a husband and wife still holding 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; and
 - (h) Upon the receipt by the Cooperative of actual notice of, or upon receipt by the Cooperative of reliable information of, the death of either spouse who is a party to the joint membership, or of the entry of a decree of divorce terminating the marriage of persons who hold a joint membership, such membership shall be terminated. However, neither of the divorced former joint Members, nor any surviving spouse of a former joint Member, nor the estate of any deceased former joint Member shall be released from any debts due the Cooperative.

SECTION 1.03. *Membership Fees.*

The Board, at its discretion, may determine to require a membership fee which shall be uniform for each class of membership.

SECTION 1.04. *Purchase of Services.*

Each person who applies for membership shall subscribe to telecommunications service provided by the Cooperative as soon as service becomes available. The Member shall pay for such service monthly in accordance with rates established in tariffs or rate schedules as fixed by the Board. It is expressly understood amounts received from Members by the Cooperative for all telecommunications and information services in excess of the direct and indirect costs of providing such services are furnished by Members as capital from the moment of receipt, and each Member shall be credited with the capital so furnished as provided in Article VIII of these Bylaws. However, the Cooperative is not obligated to furnish such credits for services which are not billed and collected by the Cooperative, even when such services are partially rendered over the facilities of the Cooperative. Each Member shall pay the above amounts owed by him or her to the Cooperative as and when the same become due and payable.

SECTION 1.05. *Termination of Membership.*

- (1) 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 members of the Board, expel any Member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules and regulations adopted by the Board, but only if such Member shall have been given notice by the Cooperative that such failure makes him or her liable for 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.
- (2) Upon the withdrawal, death, cessation of service for more than thirty (30) days, or expulsion of a Member, the membership of such Member shall thereupon terminate and will be so recorded on the books of the Cooperative. Termination of membership in any manner shall not release a Member or his or her estate from any debts due the Cooperative nor do unpaid bills release Members from their obligations under these Bylaws or rules and regulations approved by the Board.

ARTICLE II
RIGHTS AND LIABILITIES OF THE COOPERATIVE AND THE MEMBERS

SECTION 2.01. *Service Obligations.*

The Cooperative will use reasonable diligence to furnish adequate and dependable services, but it cannot and does not guarantee uninterrupted services, nor will it always be able to provide every service desired by each individual Member.

SECTION 2.02. *Cooperation of the Members in the Extension of Services.*

- (1) The cooperation of Members of the Cooperative is imperative to the successful, efficient, and economical operation of the Cooperative. Members who are receiving or who are requesting service shall be deemed to have consented to the reasonable use of their real property to construct, operate, maintain, replace or enlarge telephone and/or communications lines, overhead or underground, including all conduit, cables, wires, surface testing terminals, markers and other appurtenances under, through, across, and upon any real property or interest therein owned or leased or controlled by said Member for the furnishing of telephone or communication service to said Member, or any other Member, at no cost to the Cooperative. When requested by the Cooperative, the Member does agree, without consideration other than the mutual benefit received by the Members from the extension of services and lines, to execute any written easement or right-of-way contract on a form to be furnished by the Cooperative.
- (2) The Cooperative may, to the extent deemed reasonable and appropriate by the Board of Directors for the purposes of the Cooperative's business activities, and without providing any compensation other than the general benefit which flows to all Members by reason of upgrading and extension of the Cooperative's telecommunications lines, construct, install, and maintain telecommunications lines, cable, and facilities over, upon, and under the lands and right-of-way owned and occupied by any Member or Members. The Cooperative shall, however, after completing its construction operations on a Member's property, restore the condition of the surface area of the Member's lands to as close as reasonably practical to the condition said surface area was in immediately prior to the commencement of such construction operation. Once the Cooperative places a telecommunications line or cable over, upon, or under any land or right-of-way owned by any Member, a perpetual easement in favor of the Cooperative, which shall run with the land, shall be deemed to have been established over said land or said right-of-way, authorizing the Cooperative to exercise rights of ingress and egress over such lands and right-of-way to the extent reasonably necessary for the placement of such telecommunications line, cable or facility(ies), and for the repair, replacement, maintenance, upgrading, and monitoring thereof.
- (3) The Cooperative shall not be required to provide or to continue to provide telecommunications services to any Member, customer, or applicant for telecommunications service who refuses to provide the Cooperative with rights

of access over said person or entity's lands and right-of-way in a manner consistent with the preceding subsections.

SECTION 2.03. *Non-liability for Debts of the Cooperative.*

The private property of the Members shall be exempt from execution or other liability for the debts of the Cooperative and no Member shall be liable or responsible for any debts of the Cooperative.

SECTION 2.04. *Notification by Members of Material Changes in Circumstances.*

- (1) Each existing joint Member shall notify the Cooperative in writing in the event of:
 - (a) the death of one of the joint Members; or
 - (b) the entry of a decree of divorce terminating the marriage of the joint Members.

Such notice is to be provided to the Cooperative's business office at 2601 East Street, Texarkana, Arkansas 71854, within thirty (30) days of the death or within thirty (30) days of the entry of the decree of divorce.

- (2) Each Member which is a corporation, partnership, limited liability company, or other non-individual Member shall notify the Cooperative in writing in the event of any material change in ownership, and of the death, retirement, or withdrawal, of any partner or majority owner.

Such notice is to be provided to the Cooperative's business office at 2601 East Street, Texarkana, Arkansas 71854, within thirty (30) days of the event necessitating such notice.

SECTION 2.05. *Property Interest of Members Upon Dissolution.*

Upon dissolution unless otherwise provided by law, after:

- (1) All debts and liabilities of the Cooperative shall have been paid; and
- (2) All capital furnished through patronage shall be retired as provided in these Bylaws.

The remaining property and assets of the Cooperative shall be distributed among those persons and entities who during the fiscal year immediately preceding

dissolution received local telephone service from the Cooperative within any area covered by a Certificate of Convenience and Necessity pursuant to which the Cooperative was operating as of December 31, 1998. Said distribution shall be according to the allocation formula pursuant to which capital credits were allocated among such persons and entities as of the close of the said preceding fiscal year.

ARTICLE III **MEETINGS OF MEMBERS**

SECTION 3.01. *Annual Meeting.*

The annual meeting of the Members shall be held at a date and place within the State or States of operation as selected by the Board, and shall be designated in the Notice of the Meeting for the purpose of electing Board members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative nor affect the validity of any corporate action.

SECTION 3.02. *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) Board members, by the President, or by written petition signed by not less than ten percent (10%) of the total of all Members of the Cooperative as of the close of the fiscal year of the Cooperative immediately preceding the submission of the petition to the Cooperative. It shall be the duty of the Secretary of the Cooperative to cause notice of any properly called special meeting to be given as hereinafter provided. Special meetings of the Members may be held at any place within the State or States of operation as selected by the Board and shall be specified in the Notice of the Special Meeting. If no location for a special meeting is specified in the notice, the meeting shall be held at the Cooperative's main business office, 2601 East Street, Texarkana, Arkansas.

SECTION 3.03. *Notice of Members Meetings.*

Written or printed notice stating the place, day and hour of the meeting, and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than five (5) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon

a default in 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 the address appearing on the records of the Cooperative, with postage thereon prepaid. The incidental or unintended 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 3.04. *Postponement of a Meeting of the Members.*

In the event of inclement weather or the occurrence of a catastrophic event, or for other reasons within the discretion of the Board, the meeting of the Members may be postponed by the President, Vice President or the Board. Notice of the rescheduled meeting date shall be given by the President in any media of general circulation or broadcast serving the area.

SECTION 3.05. *Quorum.*

Business may not be transacted at any meeting of the Members unless there are present in person or by proxy at least ten percent (10%) of the total of all Members of the Cooperative as of the close of the fiscal year of the Cooperative immediately preceding the meeting, 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 3.03. 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, a list of those Members who were registered as present in person. In the event a meeting of the Members is noticed and convened, and a quorum as defined above shall not be present in person or by proxy, the Board of Directors may, in its discretion, elect to reduce the amount of Members necessary for a quorum at that particular meeting to any amount of Members which could legally constitute a quorum under the laws of the State of Arkansas regarding Rural Telecommunications Cooperatives.

SECTION 3.06. *Voting at Meetings.*

- (1) Each Member shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the Members. Cumulative voting is not permitted. All issues with respect to voting shall be governed according to the latest edition of Robert's Rules of Order used by the Cooperative unless otherwise specified by law or the Articles of Incorporation; however, failure to follow Robert's Rules of Order shall not be deemed to invalidate any action taken by the Members at such meeting. Voting by Members other than Members who are natural persons shall be allowed upon presentation to the Cooperative, prior to each Member meeting,

evidence satisfactory to the Board of Directors of the Cooperative, entitling the person presenting the same to vote on behalf of the Member entity.

- (2) All questions, except those involving multiple choice issues or determinations, shall be decided by a vote of a majority of the Members voting thereon in person or by proxy 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. In the election of Directors, a voice vote may be permitted if there is no competition for the seat or seats to be filled.

SECTION 3.07. *Informal Action by Members.*

Any action required to be taken at a meeting of the Members, or any action which may be taken at a meeting of the Members, may be taken without a membership meeting if:

- (1) A consent in writing, setting forth the action so taken, shall be approved by the signatures of the necessary percentage of Members entitled to vote as set forth in the Bylaws is obtained with respect to the taking of a membership action on the particular matter voted upon, and
- (2) The Members so voting would have been entitled to vote if the question(s) had been properly submitted to these Members at a membership meeting. In such cases, the membership consent, approving or disapproving, such action shall have the same force and effect as if a meeting had been held.

SECTION 3.08. *Proxies.*

- (1) At any meeting of the Members or any adjournment thereof, any Member, including Members who are not natural persons, may vote by proxy, but only if such proxy:
 - (a) Is registered with the Cooperative at its principal office during office hours no later than the registration deadline established in the Notice of the meeting; if the Notice of the meeting shall not state the deadline, however, the proxy must be registered with the Cooperative at its principal office during office hours no less than five (5) full business days before the date of the day of the meeting, or any adjournment thereof, as the case may be. For purposes of this subsection, the term business day shall not be construed to include any Saturday, Sunday, or any day which is a legal holiday in the State of Arkansas, and the duration of a "business day" shall be considered to be from 8:30 a.m. to 4:30 p.m.;

- (b) Is executed by the Member in writing and designates the name of the holder thereof (and, if the Member so desires an alternate name holder thereof and/or conferring upon the holder(s) full power of substitution), which holder(s) (or substitute(s), if any) shall be the Member's spouse, an adult close relative (18 years or older) residing in the same household as the Member, or another Member who is a natural person (except that the natural person need not be a Member); and
 - (c) Specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof: provided, that any mailed proxy not otherwise dated shall be deemed dated as postmarked if the postmark is satisfactorily evidenced; and provided further, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the Member in such adjournment.
- (2) A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no specific written restriction, or which is not clearly legible and understandable (as shall be determined by the Board of Directors) shall be deemed to be unlimited.
 - (3) In the event a Member executes two or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others; if such proxies carry the same date (or if one or more of such proxies is undated) and if such proxies, or any of them, are held by different persons, none of that Member's proxies will be valid or recognized at such meeting.
 - (4) The presence in person of a Member at a meeting or any adjournment thereof may revoke any proxy theretofore executed by the Member for such meeting or for such adjournment thereof, as the case may be, and the Member shall be entitled to vote in the same manner and with the same effect as if the Member had not executed a proxy. However, to revoke a proxy by presence in person at a meeting, the Member must register a revocation with the duly designated voting registrar prior to the beginning of the meeting voting process. Failure to notify the registrar prior to balloting prevents the Member in attendance from voting. A person entitled to vote under this section may vote as proxy for an unlimited number of Members on any matter, the carrying of which, as provided by law, requires the affirmative votes of a majority of the then-total Members of the Cooperative and proxy voting is allowed.

SECTION 3.09. *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 conducted under policies established by the Board and under an agenda essentially as follows, except as otherwise determined by the Members at such meeting:

- (1) Report on the number of Members present in person or by proxy in order to determine the existence of a quorum;
- (2) Election of Board members;
- (3) Presentation and consideration of reports of officers, trustees, and committees, if any;
- (4) Unfinished business, if any;
- (5) Adjournment.

Notwithstanding the foregoing, the Board or the Members themselves may from time to time, establish a different order of business for the purpose of assuring the earlier consideration of an action upon any item of business, the transaction of which is necessary or desirable in advance of any other item of business; provided that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

ARTICLE IV **BOARD MEMBERS**

SECTION 4.01. *General Powers.*

The business and affairs of the Cooperative shall be managed by a Board of Directors which shall exercise all of the powers of the Cooperative except such as are by law, by the Articles of Incorporation, or by these Bylaws conferred upon or reserved to the Members.

SECTION 4.02. *Election Process and Tenure of Office.*

Whenever an election is held for a directorship position at a special or annual meeting of the Members, the election shall be by secret ballot. Vacancies may be filled by the Board as provided herein and new Director positions may be filled by the Board as provided herein. Except as may be provided hereinafter, each Director shall be

elected to serve a nine (9) year term, or, until his or her successor shall have been elected and shall have qualified. The terms of the Directors shall be staggered to insure continuity. If for any reason a Director election scheduled for an annual meeting of the Members is not held on the day designated in the notice of the annual meeting or at an adjournment of that annual meeting, a special meeting of the Members may be held for the purpose of Director election at a reasonable time thereafter.

The term of every person serving as a Director shall, as of the effective date of these Bylaws, be nine (9) years (measured as to each Director from the date of his or her election). By resolution, the Board shall adopt a repeating Director-election schedule, staggering the election of Directors to be held in future years in such a manner as to provide that no more than one directorship position comes up for election at a meeting of the membership per calendar year. In the event a Director at large is elected by the Board of Directors, the new at-large Director's tenure shall be for a term of nine years from the date of his or her election by the Board of Directors. Notwithstanding any other provision herein, in such event, every Director shall continue to serve in said capacity, even after his or her term has expired, up until the day his or her successor has been elected and qualified, and no action of the Board shall be invalidated by reason of the participation in such action of a Director whose term has expired, provided that no successor had been elected and qualified for such Director's position prior to the action in question.

SECTION 4.03. *Composition of Board.*

- (1) The Board of Directors may consist of two classifications of Directors, namely:
 - (a) Representative Directors; and
 - (b) At-large Directors.
- (2) As long as the Cooperative provides local telecommunications services in at least six (6) separate local exchange areas, each of the local exchange areas in which the Cooperative provides such services shall be entitled to one elected representative on the Board of Directors. Provided, however, if the Cooperative collapses exchanges, for the purpose of composition of the Board, any local exchange area collapsed into another exchange may be treated as an existing local exchange area and may continue to have a Director elected from the local exchange area of the old exchange that was collapsed. These Directors shall not be Directors at large, but represent the original exchange area that existed before the collapse of the Director's exchange into the other exchange. For emphasis, a local exchange area that is collapsed rather than sold or exchanged may or may not remain an exchange, pursuant to resolution of the Board, for the purposes of Board of Director composition.

- (3) The Board may create not more than two (2) Director-at-large positions. If the Board decides to do so, the first Director-at-large position is to be a directorship position the holder of which is to be elected at an annual meeting of the Members of the Cooperative by a plurality vote of all members who are:
 - (a) present at the meeting, in person or by proxy; and
 - (b) qualified and eligible to vote according to these bylaws; and
 - (c) voting in the election.

If the Board decides to create a second Director-at-large position, the second Director-at-large position is to be a directorship position the holder of which is to be elected by the Board of Directors, by a plurality vote of all Directors who are:

- (a) present at the meeting; and
 - (b) qualified and eligible to vote according to these bylaws; and
 - (c) voting in the election.
- (4) With regard to representative directorship positions, the holder of each such representative position is to be elected at an annual meeting of the Cooperative by a plurality of the votes cast by those Members of the Cooperative who physically reside or maintain a principal place of business within the geographical boundaries of the local exchange area which they will represent, as such geographical boundaries are determined by the Board of Directors.
- (5) The Board of Directors may decrease the number of at-large directorship positions from time to time, but no decrease shall have the effect of shortening the term of any incumbent Director.

SECTION 4.04. *Qualifications for Nomination, Election, and Continued Service of Directors.*

- (1) With regard to representative directorship positions, to be qualified for nomination, election, or continued service a person must:
 - (a) not be in any material way financially interested in a competing enterprise or a business engaged in selling communication services or communication supplies or maintaining communication facilities, and in this connection, the Board may, by general rule or in particular

circumstances, determine which interests in competing enterprises are material;

- (b) not be employed, directly or indirectly, by or financially interested in (1) a competing enterprise, or (2) a business engaged in the selling of telephone service or supplies to the Cooperative, or (3) a business constructing or maintaining telephone facilities, other than a business operating on a cooperative non-profit basis for the purpose of furthering rural telephone service;
 - (c) continually reside in or maintain his or her principal place of business within the geographical boundaries of the local exchange area which they will represent, as such geographical boundaries are determined by the Board, except that, notwithstanding the foregoing, in the event an individual has served as a Director representing the Members of a particular local exchange area served by the Cooperative for twenty (20) years or more, said Director shall not be disqualified from remaining a Director, from continuing to be the representative Director of that local exchange area, or from being nominated for and elected to the representative Director position pertaining to that particular local exchange area, by reason of (1) a change of residence or change of principal place of business of such person to a place outside the election district from which he or she was served; or (2) discontinuance (other than a disconnection for nonpayment) of the receipt by such person of telecommunications service from the Cooperative;
 - (d) not be an employee of the Cooperative; and
 - (e) not have, at any time during the twelve (12) month period immediately preceding the Director election, owed the Cooperative an outstanding balance for telecommunications services that had remained outstanding and unpaid, in whole or in part, for more than ninety (90) days after billing.
- (2) With regard to at-large directorship positions, to be qualified for nomination, election, or continued service a person must:
- (a) not be in any material way financially interested in a competing enterprise or a business engaged in selling communication services or communication supplies or maintaining communication facilities, and in this connection, the Board may, by general rule or in particular circumstances, determine which interests in competing enterprises are material;

- (b) not be employed, directly or indirectly, by or financially interested in (1) a competing enterprise, or (2) a business engaged in the selling of telephone service or supplies to the Cooperative, or (3) a business constructing or maintaining telephone facilities, other than a business operating on a cooperative non-profit basis for the purpose of furthering rural telephone service;
- (c) continually reside in or maintain his or her principal place of business within the geographical boundaries of one of the local exchange areas served by the Cooperative, as such geographical boundaries are determined by the Board, except that, notwithstanding the foregoing, in the event an individual has served as an employee of the Cooperative for twenty (20) years or more, said individual shall not be disqualified from being nominated for and elected to an at-large Director position by reason of (1) non-residence in or failure to maintain a principal place of business within one of the local exchange areas served by the Cooperative; or (2) voluntary termination by the individual of his employment with the Cooperative;
- (d) not have, at any time during the twelve (12) month period immediately preceding the Director election, owed the Cooperative an outstanding balance for telecommunications services that had remained outstanding and unpaid, in whole or in part, for more than ninety (90) days after billing.

SECTION 4.05. *Nominations.*

The Board of Directors shall appoint a Nominating Committee of not less than three (3) nor more than five (5) members who shall all be Members of the Cooperative. At least one (1) member of the committee shall reside in each geographical election district for which there is to be a Director elected. No member of the Board may serve on the Nominating Committee. The committee shall nominate at least one eligible candidate for each directorship to be filled. The incumbent shall in all cases be eligible for nomination by the committee. The committee shall be appointed not less than forty (40), nor more than one hundred eighty (180) days before the date of the meeting of the Members at which Directors are to be elected. The committee shall prepare and post at the principal office of the Cooperative, at least thirty (30) days before the meeting, a list of nominees for Director. The nominees so nominated shall also be named in the notice of the meeting of Members given in accordance with Section 3.3. The Chairman of the meeting of Members shall call for additional nominations from the floor. No Member may nominate more than one candidate for any one directorship position.

SECTION 4.06. *Director Elections.*

- (1) Elections of Directors by the Members shall be by a form of printed ballot. The ballot shall list the names of the candidates nominated by the committee and by petition.
- (2) Any Member desiring to vote for a candidate nominated from the floor at the meeting shall write in the name of such candidate beneath the names of the candidates nominated by the committee on nominations and by petition of the particular district which such candidate would represent if elected.
- (3) In connection with Director elections for representative Directors, each Member of the Cooperative present in person at the meeting, or present through proxy, shall be entitled to vote for one (1) candidate from each district from which a Director is to be elected (and with respect to which the Member is a qualified voter) and shall also be entitled to vote on any general issue before the meeting.
- (4) The candidate from each election district from which the Director is to be elected receiving a plurality of votes cast for that office at such meeting shall be declared elected as a Director. Failure of an election for a given year shall allow the incumbent Directors whose directorships would have been voted on to hold over until a successor is elected, or until a majority of the Board, at a meeting of the Board in which a quorum is present, adopts a resolution removing such hold-over Director from office, whichever shall first occur.

SECTION 4.07. *Removal of Board Members and Resignations.*

- (1) Any Member may bring charges against a Board member which shall allege (a) a failure to meet the qualifications of a Director or malfeasance or (b) nonfeasance of the duties and responsibilities of his or her position. Such charges shall be in writing and filed with the Secretary of the Cooperative together with a petition signed by not less than ten percent (10%) of the total of all Members of the Cooperative as of the close of the fiscal year of the Cooperative immediately preceding the submission of the petition to the Secretary of the Cooperative and may request the removal of such Board member by reason thereof.
- (2) Such challenged Board member 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 to present evidence in respect to the charges; and the person or persons bringing the charges against him or her shall have the same opportunity. The question of the removal of such Board members shall be considered and voted upon at the next meeting of the Directors. No Director

shall be removed from office unless two-thirds (2/3) of the Directors present at the meeting at which the charges against such Director are presented shall vote for such Director's removal.

- (3) Any vacancy created by the removal of a Director elected by the Members may be filled by vote of the Members at such meeting without compliance with provision of Section 4.05 with respect to nominations.
- (4) A Director may resign at any time by written notice delivered to the Board of Directors, the President or Secretary of the Cooperative. A resignation is effective when the notice is delivered unless the notice specifies a future date. The pending vacancy may be filled before the effective date but the successor shall not take office until the effective date.

SECTION 4.08. *Vacancies.*

Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Board members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Board members for the unexpired portion of the term. However, any successor to a representative directorship position must reside in the same district as the vacant directorship and have the same qualifications for office as set forth in Section 4.04. If a representative Director moves his or her residence (or principal place of business) to another exchange of the Cooperative, he may continue to serve as Director for the former district until the next regular election for that district.

SECTION 4.09. *Compensation and Benefits of Board Members.*

The compensation and benefits, if any, to be paid to the Directors, and the procedure pursuant to which Directors are reimbursed expenses incurred in connection with attendance at meetings, are to be established by resolution of the Board of Directors.

SECTION 4.10. *Rules, Regulations, Rate Schedules And Contracts.*

The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulation, rate classifications, rate schedules, contracts, security deposits or any other types of deposits, payments or charges including contributions in aid of construction, not inconsistent with law or the Certificate of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative, or cause such to be submitted for any appropriate governmental-regulatory approval.

SECTION 4.11. *Accounting Systems and Audits.*

The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, which, among other things, and subject to applicable laws and rules and regulations of any regulatory body having jurisdiction shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. After the close of each fiscal year, the Board shall cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of such year. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

ARTICLE V
MEETINGS OF THE BOARD

SECTION 5.01. *Regular Meetings.*

- (1) A minimum of at least six (6) regular meetings shall be held each year at such time and place as designated by the Board. Such regular meeting may be held without notice other than a resolution of the Board fixing the time and place thereof.
- (2) Regular or special meetings may be conducted through the use of conference telephone or other communications equipment by means of which all persons participating in the meetings can communicate with each other. Such participation will constitute attendance and presence in person at the meeting of the persons so participating.

SECTION 5.02. *Special Meetings.*

Special meetings of the Board may be called by the President or by any three (3) Board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or Board members calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 5.03. *Notice of Board Meetings.*

Written notice of the time, place, (or telecommunications conference event) and purpose of any special meeting of the Board shall be delivered to each Board member

personally or by mail, or at the direction of the Secretary or upon default in duty by the Secretary, by the President or one of the Board members calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Board member at his address as it appears on the records of the Cooperative, with first-class postage thereon prepaid, at least one (1) business day before the date set for the meeting. For the purposes of this subsection, the term "business day" shall not include a Saturday, Sunday, or a day which is a legal holiday in the State of Arkansas, and the duration of a "business day" shall be deemed to be from 8:30 a.m. through 4:30 p.m.

SECTION 5.04. *Quorum.*

A majority of the Board shall constitute a quorum, provided, that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Board members of the time and place of such adjourned meeting. The act of a majority of the Board members present and voting at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws or by the parliamentary procedure or special rules adopted by the Cooperative.

SECTION 5.05. *Unanimous Consent in Writing.*

Unless otherwise prohibited by law, Board actions may be taken without a meeting and without a vote if unanimous consent of the Board is obtained in writing setting forth the action taken in detail and the detail is signed by all Board members entitled to vote.

ARTICLE VI
OFFICERS

SECTION 6.01. *Number and Titles.*

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

SECTION 6.02. *Election and Term of Office.*

- (1) The officers shall be elected by voice vote unless some other method is designated by resolution adopted by a majority of the Board members present

and voting. The officers shall be elected annually by and from the Board at the next regular meeting of the Board following 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.

- (2) Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the Members, or until a successor shall have been elected and shall have qualified. Except as otherwise provided in these Bylaws, a vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 6.03. *Removal of Officers and Agents by the Board.*

Any officer, agent, or employee elected or appointed by the Board of Directors may, subject to any contracts validly entered into by the Cooperative, be removed by the Board whenever, in the judgment of the Board, the best interests of the Cooperative will be thereby served.

SECTION 6.04. *President.*

The President shall:

- (1) be the principal executive officer of the Corporation and unless otherwise determined by the Board, shall preside at all meetings of the Members and the Board;
- (2) 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
- (3) 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 6.05. *Vice President.*

In the absence of the President, or in the event of his or her 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 or her by the Board.

SECTION 6.06. *Secretary.*

The Secretary shall be responsible for:

- (1) keeping the minutes of the meetings of the Members and of the Board in books prepared for that purpose;
- (2) seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (3) the safekeeping of the corporate books and records and the Seal of the Cooperative and affixing the Seal of the Cooperative 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;
- (4) keeping a register of the names and post office addresses of all Members;
- (5) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto; and
- (6) in general performing all duties incident to the Office of Secretary and such other duties as from time to time may be assigned to him or her by the Board.

SECTION 6.07. *Treasurer.*

The Treasurer shall be responsible for:

- (1) custody of all funds and securities of the Cooperative;
- (2) 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 financial institutions as shall be approved by resolution of the Board of Directors; provided, however, that the Treasurer shall have authority, with the approval of the Board, to delegate to the General Manager the authority to appoint employees of the Cooperative to actually carry out the responsibilities set forth in this Section; and
- (3) the general performance of all the duties incident to the Office of Treasurer and such other duties as from time to time may be assigned to

him or her by the Board; provided, however, with respect to the duties and responsibilities of the Treasurer, the Cooperative shall indemnify and hold the Treasurer harmless against any and all losses, claims and/or damages which may be asserted against the Treasurer, in his or her official capacity, unless such claim is a result of an act personally committed or omitted by the Treasurer resulting in loss to the Cooperative.

SECTION 6.08. *General Manager.*

The Board may appoint a General Manager or other managing official or professional. The General Manager or other managing official or professional shall perform such duties as the Board may from time to time require and shall have such authority as the Board may from time to time vest in him or her.

SECTION 6.09. *Bonds.*

The Board shall require any officer, agent, or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to 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. The costs of all such bonds shall be borne by the Cooperative.

SECTION 6.10. *Compensation.*

The powers, duties and compensation of agents and employees shall be fixed or approved by the Board or a committee of the Board established for that purpose, subject to the Section 4.09 of these Bylaws with respect to compensation of Directors.

ARTICLE VII
INDEMNIFICATION OF OFFICERS, BOARD MEMBERS,
EMPLOYEES AND AGENTS

SECTION 7.01. *Indemnification of Parties to Legal Proceeding.*

The Cooperative shall indemnify, to the extent allowed by Arkansas law, 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 investigation (other than an action by, or in the right of the Cooperative) by reason of the fact that such person is or was a Board member, officer,

employee, or agent of the Cooperative or who is or was serving at the request of the Cooperative as a Board member, officer, employee, or agent of another Cooperative, association, corporation, partnership, joint venture, trust, or other enterprise, against expenses, (including attorney's fees) adjustments, fines, and amounts paid in settlement actually and reasonably incurred by such person acting in good faith and in a manner such person 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 the conduct of such person was unlawful.

The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon pleas of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

SECTION 7.02. *Insurance Coverage.*

The Cooperative may purchase and maintain insurance on behalf of any person who is or was a Board member, officer, employee, or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a Board member, officer, employee, or agent of another Cooperative, association, corporation, partnership, joint venture, trust, or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of the status of such person as such, whether or not the Cooperative would have the power to indemnify such person against such liability under the provisions of this Article.

ARTICLE VIII
NON-PROFIT OPERATION

SECTION 8.01. *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 8.02. *Patronage Capital in Connection With Furnishing Telecommunications and Information Services.*

- (1) In the furnishing of telecommunications and information services, the Cooperative's operations shall be so conducted that all patrons will, through

their patronage, furnish capital for the Cooperative. In order to induce patronage and to insure that the Cooperative will be operated on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of telecommunications and information services in excess of operating costs and expenses properly chargeable against the furnishing of such services. All such amounts in excess of operating costs and expenses for telecommunications and information services at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital.

- (2) 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 derived from telecommunications and information services. The books and records of the Cooperative shall be established and kept in such manner that at the end of each fiscal year the amount of capital, if any, so furnished by the patron for telecommunications and information services is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to the patron's account. All such amounts credited to the capital account of any patron shall have the same status as though it had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.
- (3) All nonoperating margins except those derived from furnishing goods and services other than telecommunications (and information services), shall, insofar as permitted by law, be used to offset any losses during the current or any prior fiscal year and, to the extent not needed for the purpose, either be:
 - (a) Allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital to be allocated to the accounts of the various classes of patrons in an equitable manner as approved by the Board; or
 - (b) Used to establish and maintain a nonoperating margin reserve not assignable to patrons prior to dissolution of the Cooperative.

Notwithstanding the foregoing, to the extent a nonoperating margin is attributable to the proceeds of the redemption, sale or other disposition of stock owned in the Rural Telephone Bank, such a margin shall be first used to offset any losses during the current or any prior fiscal year, and to the extent not needed for such purpose, such margin shall be allocated to the patrons of the Cooperative on a patronage basis.

- (4) If, at any time prior to dissolution or liquidation, the Board shall determine the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. All allocations and retirements of capital shall be at the discretion and direction of the Board as to kind, timing, method, and type of assignment and distribution.
- (5) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members.
- (6) Capital credited to the account of each patron shall be assignable only on the books of the Cooperative, pursuant to written instruction from the assignor and only to successors in interest, or successors in occupancy, in all or in a part of such patrons' premises served by the Cooperative, unless the Board, acting under policies of general application, shall authorize other types of assignments. Patrons at any time may assign their capital credits back to the Cooperative and the Cooperative is authorized to negotiate capital credit settlement arrangements with bankrupt patrons.
- (7) Notwithstanding any other provision of these Bylaws, the Board, at its discretion, shall have the power at any time upon the death of any natural patron, if the legal representative of his estate shall request in writing, that the capital credited to any such patron be retired prior to the time such capital would be retired in a general retirement under provisions of these Bylaws, 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 representative of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.
- (8) During a general capital credit retirement, no checks shall be issued for less than a fixed amount determined by the Board, and the amount of such unretired capital credits will be retired in the first following year, when the total amount of capital credits qualifying for retirement exceeds the amount set by the Board, including the amount carried over.
- (9) All tax refunds made by the United States Government or any of the states in connection with the final or true cost of service as determined by the capital credits allocation process may be held and used by the Cooperative as furnished patronage capital and shall be treated in the same manner as furnished capital set out in this Section of these Bylaws.

- (10) The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract both between the Cooperative and each patron and further, between all the patrons themselves individually. 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 term and provisions with the Cooperative and each of its patrons. 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 or by publication distributed by the Cooperative to its patrons.
- (11) The obligation of the Cooperative to account for and make allocations of capital furnished by patrons is established in this Section and Section 8.03, following shall apply only to the furnishing of retail services end user patrons.

SECTION 8.03. *Patronage Capital in Connection With Furnishing Other Services.*

In the event that the Cooperative should engage in the business of furnishing goods or services other than telecommunications and information services, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons from whom such amounts were obtained at such time and in such order of priority as the Board shall determine.

SECTION 8.04. *Patronage Defined.*

The term patron, when used in these Bylaws, shall include (1) Members, (2) persons eligible for membership who have not yet been accepted for membership by the Board and (3) former Members, but shall not include any person or entity which is (a) an interexchange carrier (IXC) or an entity made up of interexchange carriers (IXCs); (b) a competing local exchange carrier (CLEC); (c) a provider of local telephone service (or any unbundled element thereof) within the geographic area served by the Cooperative; or (d) a reseller of local telephone service (or any unbundled element thereof) purchased or acquired, directly or indirectly, from the Cooperative.

In the event revenues are received by the Cooperative from any person or entity who is not a patron, as that term is defined herein, to the extent deemed by the Cooperative's accountants to be allowable under the tax laws, the excess of such revenues over and above the costs and expenses properly chargeable against the generating of such revenues shall be allocated annually among the patrons according to the percentage of other patronage capital allocated to each patron.

ARTICLE IX
DISPOSITION AND PLEDGING OF PROPERTY
AND DISTRIBUTION OF SURPLUS ASSETS UPON DISSOLUTION

SECTION 9.01. *Disposition and Pledging Of Property.*

- (1) The Cooperative may not sell, mortgage, lease, or otherwise dispose of or encumber all or any substantial portion in excess of ten percent (10%) of its total assets unless such sale, mortgage, lease, or other disposition or encumbrance is:
 - (a) Authorized at a meeting of the then-total Members by the affirmative vote cast in person, without proxies, of at least two-thirds (2/3) of the total Members of the Cooperative;
 - (b) Authorized by the holders of at least seventy-five percent (75%) of the outstanding indebtedness of the Cooperative; and
 - (c) Proceeded by a notice of meeting at which such sale, mortgage, lease or other disposition or encumbrance is to be voted on.

- (2) Notwithstanding the foregoing provision of this Section, and subject to any restrictions in the Arkansas Rural Telecommunications Cooperative Act, the Board shall have the power and authority:
 - (a) To borrow monies from any source and in any such amounts as the Board may from time to time determine are needed in pursuit of the Cooperative's business purposes;
 - (b) To mortgage or otherwise pledge or encumber any and all of the Cooperative's property or assets as security therefore; and
 - (c) With respect to other cooperative organizations only, to sell and lease back all of the Cooperative's property or assets.

SECTION 9.02. *Distribution of Surplus Assets on Sale or Dissolution.*

Any assets remaining after all debts and liabilities of the Cooperative have been paid shall be disposed of pursuant to the provisions of Section 2.05 above; provided, however, that if in the judgment of the Board the amount of such surplus is relatively too small to justify the expense of making such widespread distribution, the Board may,

in lieu thereof, donate or provide for the donation of such surplus to one or more non-profit, charitable or educational organizations that are exempt from federal income taxation.

ARTICLE X **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 and Arkansas.

ARTICLE XI **FINANCIAL TRANSACTIONS**

SECTION 11.01. *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 11.02. *Checks, Drafts, Etc.*

All checks, drafts, or other orders for the payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer(s), agent(s), or employee(s) of the Cooperative and in such manner, as shall from time to time be determined by resolution of the Board.

SECTION 11.03. *Deposits.*

All the funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such institutions as the Board may select.

ARTICLE XII **MISCELLANEOUS**

SECTION 12.01. *Membership in Other Organizations.*

The Cooperative may become a member or purchase stock in other profit or nonprofit organizations, associations, 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 12.02. *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, in person or by proxy, shall constitute a waiver of notice of such meeting by such Member or Director, except in case of Member or Director shall attend a meeting for the express purpose of objecting to the transaction of any business, on the grounds that the meeting had not been lawfully called or convened.

SECTION 12.03. *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 the affairs of the Cooperative.

ARTICLE XIII
AMENDMENTS

The power to make, alter, amend, adopt or repeal the Bylaws of the Cooperative shall be vested in the Cooperative's Board of Directors, subject only to amendment by the Members at any annual meeting. Notwithstanding the foregoing, however, the Board shall not have the power to change, alter, or amend any provisions of the Bylaws adopted by the Members except upon a unanimous vote of the Directors in favor of such change, alteration, or amendment. In the event the Directors shall change, alter or amend a Bylaw provision pursuant to this section, such provision shall be submitted to the Members of the Cooperative at their next annual or special meeting. If the Members do not, at such meeting, vote to ratify the Directors' action in changing, altering or amending the Bylaw provision in question, the Bylaw provision in question will be deleted from the Bylaws, and the Bylaw in question shall revert, effective the day after the Members' meeting, to the wording which was in place immediately before the Directors changed, altered or amended such provision.

For purposes of this section, a ratification action by the Members on a Bylaw change, alteration or amendment of the Directors shall not be deemed to be an adoption by the Members of the Bylaw in question.

ARTICLE XIV
PROPOSALS TO SELL OR TRANSFER ASSETS
OR TO MERGE WITH OTHER ENTITY

SECTION 14.01. *Notice to Members.*

Notwithstanding any other provision of these Bylaws, no proposal pursuant to which the Cooperative is to merge with any other entity (except another telephone cooperative organized or existing under the Act pursuant to which this Cooperative is organized), or pursuant to which all or a substantial portion of the assets of the Cooperative are to be sold, leased, or otherwise transferred or conveyed to any person or entity (except by way of mortgages or other security instruments executed upon authorization of the Board of Directors of the Cooperative in order to obtain financing for the continued or expanded operations of the Cooperative) is to be submitted to the Members of the Cooperative unless, no less than one hundred and eighty (180) days prior to the presentation of the proposal to the Members at a regular or special meeting thereof, each Member of the Cooperative has been provided, by one or more proponents of said proposal, with written notice stating (1) the identity(ies) of the person(s) or entity(ies) to whom such sales or transfer, or with whom such merger, is proposed; (2) details of any offer made by, or proposed to be made on behalf of the Cooperative to, such person(s) or entity(ies); (3) a complete and accurate listing of each and every asset which is to be sold or transferred pursuant to any such proposal, stating, beside each listed asset, the book value of same according to the financial records of the Cooperative, and the fair market value of same as appraised by a competent appraiser; and (4) the date, time, and place of the meeting at which such proposal is to be presented to the Members.

Section 14.02. *Quorum.*

Notwithstanding any other provision of these Bylaws, no proposal such as is described in Section 14.01, above, shall be voted upon by the Members of the Cooperative unless a quorum consisting of seventy-five percent (75%) of all Members of the Cooperative are present in person (with no proxies to be accepted) at the meeting at which such proposal is submitted to the Members.

Section 14.03. *Required Declaration.*

Before any Member of the Cooperative shall be entitled to vote on any proposal such as is described in Section 14.01, above, he/she shall sign a declaration, in writing, that (1) he/she has at no time entered into any formal or informal agreement to in any

way transfer or otherwise convey to any person or entity any rights or privileges appertaining to his/her membership in the Cooperative or any capital credits to which he/she may be entitled by virtue of his/her membership or his/her patronage of the services of the Cooperative; and (2) he/she has neither received nor agreed to accept any sum of money or other consideration for casting his/her vote for or against the proposal in question. Failure to sign such a declaration, or signing such declaration when same is not in all respects true, shall disqualify said Member from eligibility to vote on the proposal in question.

Section 14.04. *Required Vote.*

Notwithstanding any other provision of these Bylaws, no proposal such as is described in Section 14.01, above, shall be approved by the Members of the Cooperative except by resolution for which not less than three-fourths (3/4) of all Members of the Cooperative shall vote, in person (with no votes by proxy, or by Members rendered ineligible by Section 14.03, above, being counted or accepted) by signed, written ballot, in favor of the proposal in question.

Section 14.05. *Amendment of this Article.*

No amendment to the provisions of this Article shall be effective unless and until same shall be approved by affirmative vote, in person (with no votes by proxy being accepted) of not less than three-fourths (3/4) of all Members of the Cooperative at a regular or special meeting of the Cooperative of which notice has been given in accordance with Section 3.03 of these Bylaws.