

BYLAWS  
OF  
HILL COUNTRY TELEPHONE COOPERATIVE, INC.  
“The Cooperative was formed on February 13, 1951 in Fredericksburg under the Telephone  
Cooperative Act of the State of Texas”  
Chapter 162  
Telephone Cooperative Act  
of  
The State of Texas  
**BYLAWS FOR TELEPHONE COOPERATIVES**

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ARTICLE I  
MEMBERSHIP

SECTION 1.1. Eligibility.

Any eligible person, firm, association, corporation, or body politic or subdivision thereof will become a member of HILL COUNTRY TELEPHONE COOPERATIVE, INC. (hereinafter called the "Cooperative") upon receipt of telecommunications and information services (hereinafter referred to simply as "services") from the Cooperative. Membership is automatic and instantaneous upon receipt of service; however, each member shall:

- (a) Complete an application for membership for the Cooperative's records in a manner as determined by the Board of Directors;
- (b) Agree to purchase services from the Cooperative in accordance with established tariffs, as well as pay other charges for services that the member uses and the Cooperative is obligated by law or contract to collect;
- (c) Agree to comply with, and be bound by, the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board; and
- (d) Pay any membership fee as hereinafter may be specified.

The status of all memberships shall be as reflected upon the books of the Cooperative.

SECTION 1.2. Membership Certificates.

Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board. Such certificate shall be signed by the President and by the Secretary and the corporate seal shall be affixed thereto or the requirement for a certificate can be satisfied by membership being evidenced on the books of the Cooperative. Membership in the Cooperative shall not be transferable, except as provided in these bylaws. A membership certificate is not freely transferable, nor assignable. Any attempted transfer of a membership interest must be approved by the Board of Directors and then only to successors in occupancy in all or in part of the patrons' premises served by the Cooperative unless the Board of Directors, acting under the policies of general applications, provides otherwise. Any successor to a membership certificate must meet the requirements of Article I of these Bylaws in the same manner as a new member.

SECTION 1.3. Joint Memberships.

A husband and wife may apply for a joint membership and, subject to their compliance with the requirements of Section 1.1 of this Article, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the 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;
  - (1) After the date of termination, no further capital credits shall accrue to joint membership;
  - (2) Capital credits accrued and computed to the nearest date of termination shall vest in each of the joint members equally, share and share alike, on the date of termination;
  - (3) Unless there is an assignment of capital credits pursuant to written instructions provided for in Article VIII, Section 8.2 (d), the accrued capital credits of the joint membership shall be made payable to the joint members and mailed to the last known address furnished to the Cooperative;
  - (4) The party receiving a check payable to the joint members is designated a constructive trustee for the benefit of the other party, the extent of one half (1/2) of the total amount of the refund check, and shall pay to the other party one half (1/2) of the total amount of the capital credits within five (5) days of receipt of the check;
  - (5) Each joint member shall indemnify and hold the Cooperative harmless from any failure to deliver an assignment of capital credits to the Cooperative, or to deliver one-half (1/2) of the capital credits, as trustee for the other party; and,
  - (6) Assignment of the membership fee, if any, does not include an assignment of capital credits, which is a separate assignment as provided for in Section 8.2(d) of Article VIII.
- (g) Either but not both may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

**SECTION 1.4. Organizational Memberships.**

A non-natural entity or organization that may apply or continue membership in the Cooperative pursuant to the requirements for membership specified in Section 1.1 of this Article. Any such non-natural person accepted for membership, or continuing membership, must designate to the Cooperative an individual to represent its voting interests in any meeting of members, or in otherwise representation of that membership interests.

**SECTION 1.5. Conversion of Memberships.**

- (a) A membership may be converted to a joint membership upon the written request of the holder, thereof and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, Bylaws and any rules and regulations adopted by the Board. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.
- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in such manner as shall indicate the changed membership status, provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

**SECTION 1.6. Definition and Classifications.**

- (a) Membership in the Cooperative is effected by:
  - (1) Procuring the Cooperative's central office dial tone, or
  - (2) Providing a continuing periodic telecommunications revenue stream for the Cooperative. The Board will determine under rules of general application the types and amounts of revenue streams or the types and amounts of membership that give rise to the privileges and obligations of membership.
- (b) The Cooperative may have one or more classes of members to accommodate the various types of services. If the Cooperative has more than one class of membership, the definitions, the types, the qualifications and rights of each class shall be determined by the Board and set forth in these Bylaws.
- (c) Exchange and interchange carriers who participate with the Cooperative in the provision of telecommunications services to members are neither members nor patrons by virtue of division of revenue contracts, settlement or access arrangements and other tariffed charges these carriers pay in the provision of services to their end users. The Board has the authority to determine all questions dealing with member or patron status as well as capital credit allocation issues for large users of the Cooperative's facilities.
- (d) Each time-sharing or interval ownership premise is considered as a single corporate member. The corporation holding the seasonal, recreational and short-interval rental properties will be deemed to hold the membership. No member may hold

more than one membership of each class in the Cooperative. No membership in the Cooperative shall be transferrable, except on the books of the Cooperative and as provided for in these Bylaws.

SECTION 1.7. Membership Fees.

The membership fee, if any, shall be determined by the Board at a uniform amount and set for each class of membership. The Board may dispense with the initial payment of a membership fee, allowing the amount of such membership fee to be taken from the first capital credits accruing to the member's account; however, membership fees taken from accrued capital credits shall not be refunded upon termination of membership but will be paid out under the provisions of the Cooperative's general and special capital credit retirement Bylaws.

SECTION 1.8. Purchase of Services.

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

SECTION 1.9. Termination of Memberships.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by affirmative vote of not less than two-thirds, 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 (10) days after such notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting. The membership of a member who has not permitted the installation of service within thirty (30) days after he has been notified service is available to him, or of a member who had ceased to purchase telephone service from the Cooperative, shall be cancelled by resolution of the Board.
- (b) Upon the withdrawal, death, cessation of service or expulsion of a member the membership of such member shall thereupon terminate and such termination will be so recorded on the books of the Cooperative. Termination of membership in any manner shall not release a member or his/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.
- (c) Upon termination of membership for any reason, the Cooperative may refund to the member the amount of the membership fee paid, if any, in accordance with rules and regulations prescribed by the Board. Prior to the repayment of a membership fee paid by the member, if any, the Cooperative shall deduct from the amount of such membership fee the amount of any debts owing from the member to the Cooperative.
- (d) Any membership fee that remains unclaimed, unpaid or undelivered is handled pursuant to these Bylaws and the State of Texas' escheat laws under the Texas Property Code. Members shall have the right to donate any unclaimed funds, membership fee that remains unclaimed or other, to the Cooperative's established rural scholarship fund.

## ARTICLE II

### RIGHTS AND LIABILITIES OF THE COOPERATIVE AND THE MEMBERS

SECTION 2.1. Service Obligations.

- (a) 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.
- (b) The members pledge to purchase all services from the Cooperative to the extent that its services are able to meet the members' needs and are competitively priced.

SECTION 2.2. Cooperation Of the Members In the Extension of Services.

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 to execute any easement or right-of-way contract on a form to be furnished by the Cooperative.

SECTION 2.3. Nonliability For Debts Of the Cooperative

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

SECTION 2.4. Property Interest Of Members.

Upon dissolution, after:

- (a) All debts and liabilities of the Cooperative shall have been paid;
- (b) All capital furnished through membership shall be retired as provided in these Bylaws; and
- (c) All membership fees shall have been repaid; then, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate membership of each member and former member bears to the total membership during the ten (10) years immediately prior to dissolution of all such members and such former members on the date of dissolution unless otherwise provided by law.

ARTICLE III

MEETINGS OF MEMBERS

SECTION 3.1. Annual Meeting.

The annual meeting of the members shall be held at a date during the fourth quarter of each year at a place within the State of Texas 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 Cooperative action.

SECTION 3.2. 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) Board members, by the President, or by not less than two hundred (200) members or by 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 Kerr, State of Texas, specified in the Notice of the special meeting.

SECTION 3.3. Notice of Members' Meetings.

Written or printed notice stating the place, day and hour of the meeting, and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than twenty (20) days nor more than thirty (30) 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 3.4. Postponement of a Meeting of the Members.

In the event of inclement weather or the occurrence of a catastrophic event, the meeting of the members may be postponed by the President. Notice of the adjourned meeting shall be given by the President in any media of general circulation or broadcast serving the area.

SECTION 3.5. Quorum

Business may not be transacted at any meeting of the members unless there are present in person at least two per centum (2%) of the then total members of the Cooperative, 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 3.3. At all meetings of the members, whether a quorum be present or not, the Secretary shall affix the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person.

SECTION 3.6. Credentials and Election Committee.

The Board of Directors shall, at least twenty (20) days before any meeting of the members, appoint a Credentials and Election Committee consisting of an uneven number of Cooperative members - not less than five (5), not more than fifteen (15), who are not existing Cooperative employees, agents, officers, Directors or known candidates for Director, and who are not close relatives (as hereinafter defined) or members of the same household thereof. In appointing the Committee, the Board shall have regard for the equitable representation to the geographic areas served by the Cooperative. The Committee may elect its own Chairman and Secretary prior to the member meeting. It shall be the responsibility of the Committee to pass upon all questions that may arise with respect the registration of members in person, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other vote irregularity or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of directors (including but not limited to the validity of petitions of nomination or the qualification of candidates and the regularity of the nomination and election of directors), and to pass upon any protest or objection filed with respect to any election or conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice and counsel provided by the Cooperative. In the event a protest or an objection is filed concerning any election, such protest or objection must be filed in writing during, or within three (3) business days following the adjournment of the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairperson, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as presented by the protester(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time, but of later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Committee may not affirmatively act on any matter unless a majority of the Committee is present. The Committee's decision (as reflected by a majority of those actually present and voting ) and all matters covered by this section shall be final.

SECTION 3.7. Voting at Meetings.

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 Rules of order used by the Cooperative unless otherwise specified by law or the Articles of Incorporation. Voting by members other than members who are natural persons shall be allowed upon presentation to the Cooperative, prior to each member meeting, satisfactory evidence entitling the person presenting the same to vote. 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 and by mail 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 no event shall any individual, utilizing any combination of that individual's single membership, or as a representative of a non-natural person entity, be entitled to cast more than three (3) votes on any issue submitted to a vote at a meeting of the members.

SECTION 3.8. Voting by Mail.

Voting by mail shall be authorized and the Secretary shall place with the notice of the meeting a ballot for that purpose. The Secretary shall enclose with each notice of meeting an envelope marked "Mail Ballot", addressed to the Secretary of the Cooperative, and the envelopes containing returned ballots, shall be opened and counted by the Credentials and Election Committee no earlier than ten (10) days before the day of the annual or special meeting. No ballot shall be counted unless it bears the actual signature, electronic signature or bar code of the member and his/her telephone number. The Board has discretion to set out by policy additional methods of validation of ballots prior to distribution of ballots in any given election cycle. No ballot cast by mail shall be counted unless the provisions hereof are strictly complied with.

SECTION 3.8.1 Voting by Electronic Ballot

Voting by electronic ballot shall be authorized at such point in time as the Cooperative develops an online voting system approved by the Board of Directors. Online balloting shall begin no earlier than the date the notice of meeting is mailed to members, and shall end

no later than ten (10) days prior to the day of the annual or special meeting. Online balloting requirements and policies shall be developed and approved by the Board of Directors and reviewed on a yearly basis.

SECTION 3.9. 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:

- (a) Report on the number of members present in person in order to determine the existence of a quorum.
- (b) Reading of the Notice of the Meeting and proof of the timely publication or mailing thereof, or the waiver or waivers of Notice of Meeting, as the case may be.
- (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon unless minutes presented for approval shall have been furnished by a timely mailing or have been distributed at the meeting to all active members present. In such case, the President may entertain a motion from the floor to dispense with the reading of such minutes.
- (d) Audit report of outside auditors, or, a summary thereof.
- (e) Presentation and consideration of reports of officers and committees.
- (f) Election of Board members.
- (g) Unfinished business.
- (h) New business.
- (i) 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 4.1. General Powers.

The business and affairs of the Cooperative shall be managed by a Board of members which 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 4.2. Election Process And Tenure of Office.

Directors shall be elected by a secret ballot, mail ballot, or electronic ballot at each annual meeting when there is competition for the Board seat(s) to be filled. They shall be elected by and from the members to serve a three (3) year term, or, until their successors shall have been elected and shall have qualified, and that the terms of the directors shall be staggered to insure continuity. After the 1993 annual meeting three (3) directors shall be elected at the first annual meeting thereafter and four (4) directors shall be elected in the second and third annual meetings thereafter. If an election of directors shall not be held on the day designated herein for the annual meeting or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing directors at a reasonable time thereafter. Directors shall be nominated and elected as provided hereinafter.

In any year in which any of the nominees, as determined in Article IV, Section 4.4, 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 district for that year is uncontested. The membership for that district shall have been deemed to have consented to the Nominating Committee's nominee. In the event that the Secretary certifies that the election is uncontested, the Board of Directors may, for that election year, declare the election uncontested and suspend distribution of ballots for that particular election. The Secretary shall announce the certification at the annual meeting of the election by consent of the nominated director.

SECTION 4.3. Qualifications To Be Nominated. To Become. Or Remain A Director.

Any member who is a natural person shall be eligible to be nominated, elected, and remain a Director of the Cooperative provided that he/she:

- (a) Resides in the geographic area from which he or she is elected, and has resided there for more than two hundred and forty (240) days during the last twelve (12) month period.



- (b) Is NOT an employee of the Cooperative or in any way financially interested in a competing enterprise or a business engaged in selling communication services or communication supplies or maintaining communication facilities. However, the Board may grant exceptions for “de minimus” competing enterprise.
- (c) Is NOT a former employee of the Cooperative who was terminated for cause. A former employee who was not terminated for cause may become eligible to become a Director no sooner than a date two (2) years from the time the member's employment with the Cooperative ended. This qualification provision applies to candidates for Director beginning in 2014, and only to Directors elected after the 2013 election cycle.
- (d) Has NOT, while a Director, and during the five (5) years immediately before becoming a Director, been convicted of, or plead guilty to, a felony or two (2) misdemeanors (excluding minor traffic violations); or found guilty of any offense involving moral turpitude.
- (e) Is NOT closely related to an incumbent Director or an employee of the Cooperative. As used here, “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 a Director 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 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. Notwithstanding the foregoing, the Cooperative shall adopt a written policy which will govern the application in practice of this Bylaw section to assure no employee will suffer unjust or unreasonable discrimination because of marital status.
- (f) Is NOT currently serving as a director on the board of another utility (water, electric, gas, etc.). This qualification provision applies to candidates for director beginning in 2016, and only to directors elected after the 2015 election cycle.
- (g) To remain a Director, the incumbent must:
  - (1) attend at least two-thirds of the regular monthly board meetings during each 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,
  - (2) attend, during each three-year term, at least three board-approved national, state or regional meetings, workshops and or seminars related or pertaining to continuing education, training, or industry-informational updating, unless the remainder of the board excuses such violation because of medical or personal emergency reasons.
- (h) 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.
- (i) When a membership is held jointly by a husband and wife, either one, but not both, may be elected a Director, provided however, that neither shall be eligible to become or remain a Director or hold a position of trust in the Cooperative, unless both shall have met the qualifications set forth herein.
- (j) Nothing in this Section shall affect In any manner whatsoever, the validity of any action taken at any meeting of the Board.

#### SECTION 4.4. Nominations.

It shall be the duty of the Board to appoint not less than sixty (60) days nor more than ninety (90) days before the date of meeting of the members at which directors are elected, a committee on nominations consisting of five members from the respective districts as the term of director(s) from that district expires. The nomination of director(s) shall be by district and names placed on the ballot for each vacancy. No member of the Board may serve on such committee. The Committee shall prepare and post at the principal office of the Cooperative at least forty-five (45) days before the meeting a list of nominations for directors. Any fifteen or more members acting together may make other nominations by petition not less than thirty (30) days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. The Secretary shall mail with the notice of the meeting or separately, but at least twenty (20) days before the date of the meeting, a statement of the number of directors to be elected and the names and addresses of the candidates, specifying separately the nominations made by the committee and nominations made by petition, if any. The ballot to be used at the election shall list the names of the candidates nominated by the committee and the names of the candidates nominated by petition, if any. Each district shall vote for its own director within the individual district and not for directors in other districts. Board members shall serve until replaced by the membership of the district which the board member represents. Any qualified member may be nominated to serve as a director regardless of race, color, religion, sex, age or marital status. There shall be no additional nominations taken from the floor at the annual meeting.

SECTION 4.5. Removal of Director 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 per centum (10%) of the members, or two hundred (200) members, whichever is the lesser, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members 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/her 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.

SECTION 4.6. Removal of Director by Directors.

Any director may bring charges against another director and, by filing with the Secretary such charges in writing, may request the removal of such director thereof. Such director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the Board 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. The director bringing charges against such director shall have the same opportunity to present evidence. The question of the removal of such director shall be considered and voted upon at the meeting of the Board and the Board may by affirmative vote of not less than two-thirds (2/3rds) remove such director.

SECTION 4.7. Resignation.

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 4.8. Vacancies.

Any vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Board members for the unexpired portion of the term, provided, however, that in the event the vacancy is not filled by the Board within sixty (60) days after the vacancy occurs, the members shall have the right to fill such vacancy at a meeting of the members without compliance with the foregoing provisions with respect to nominations. However, any successor must reside in the same district as the vacant directorship and have the same qualifications for office as set forth in Section 4.3.

SECTION 4.9. Compensation.

Directors shall not receive any salaries for their services as directors. However, directors shall receive adequate compensation for each day or portion thereof spent on Cooperative business, such as attendance of meetings of the Board of Directors, committee meetings, industrial-related conferences, training programs, and performing committee assignments approved by the Board of Directors.

SECTION 4.10. Reimbursement of Expenses.

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

SECTION 4.11. Close Relative.

No director or close relative of a director shall receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members, or the service by such director or close relative shall have been certified by the Board as an emergency measure. For the purpose of this section, "close relative" includes grandparent, parent, husband, wife, child, grandchild, brother, sister, aunt, uncle, nephew, and niece, by blood, by marriage, or by adoption, and spouse of any of the foregoing. The written policy adopted by the Board on nepotism pursuant to Section 4.3 shall also govern here.

SECTION 4.12. Districts and Number of Directors in Each District.

There shall be nine (9) districts for the territory served by the Cooperative. Each district shall have only one (1) director with two (2) exceptions: represented by two (2) directors. The districts shall be as follows:

- District 1 Ingram Exchange..... with two (2) directors
- District 2 Hunt Exchange ..... with one (1) director

District 3	Mountain Home Exchange	
	Garven Store Exchange .....	with one (1) director
District 4	Doss Exchange .....	with one (1) director
District 5	Fredonia Exchange .....	
	Katemcy Exchange	
	Pontotoc Exchange .....	with one (1) director
District 6	Comfort Exchange	
	Sisterdale Exchange .....	with two (2) directors
District 7	Center Point Exchange .....	with one (1) director
District 8	Medina Exchange	
	Tarpley Exchange.....	with one (1) director
District 9	Frio Canyon Exchange .....	with one (1) director

SECTION 4.13. Rules, Regulations, Rate Schedules And Contracts.

The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, 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. Further, the Board of Directors may constitute itself into committees for the purpose of studying and making recommendations to the full Board in the course of its decisional processes.

SECTION 4.14. Accounting Systems And Reports.

The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, 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. A full and accurate summary of such audit reports shall be submitted to the members at, or prior to, the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

SECTION 4.15. Catastrophic Loss of Board Members.

The loss of five (5) or more Board members arising from an event of natural or human origin shall be deemed a catastrophic loss of Board members. In the event of a catastrophic loss of Board members, the remaining Board members shall appoint, within one hundred twenty (120) days, individuals qualified to serve as Board members pursuant to Article IV, Section 4.8 hereof from each of the Districts which suffered a loss of a Board member, keeping in mind the principle of equitable geographic representation. Board members so appointed shall serve until the next annual meeting of the membership, at which time all Board positions so appointed under this Section shall stand for election under the same terms as their respective deceased predecessors. In the event of a catastrophic loss wherein two (2) or less Board members remain, the remaining Board members, 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 members shall serve until the next regularly scheduled annual meeting of the membership at which time all such appointed positions shall stand for election to the same terms as their respective deceased predecessors.

SECTION 4.16. Quorum During Catastrophe.

In the event of a catastrophic loss as defined in Section 4.15, the traditional quorum requirements are simplified pending the appointment of new Board members, in order to allow the remaining Board members to meet and conduct business. All action of the Board during this time period shall stand for ratification at the next Board meeting wherein a traditional quorum is present.

ARTICLE V

MEETINGS OF THE BOARD

SECTION 5.1. Regular Meetings.

A regular meeting of the board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board shall also be held monthly at such time and place in Kerr 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. A minimum of at least ten (10) regular meetings shall be held each year. Unless specifically prohibited by law, meetings, regular or special, 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 5.2. Special Meetings.

Special meetings of the Board may be called by the President or by any three (3) 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 5.3. 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 either personally, by electronics, facsimile telephone transmission, or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or 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 first-class postage thereon prepaid, at least five (5) business days before the date set for the meeting.

SECTION 5.4. 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. Board members may not vote by proxy at regular or special Board meetings.

SECTION 5.5. 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 6.1. 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 6.2. Election And Term of Office.

The officers shall be elected by ballot, if there is a contest, and if not, by voice vote or any other method designated by the person presiding. They shall be elected annually by and from the Board at the meeting of the Board held immediately after the annual meeting of the members. 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 terms.

SECTION 6.3. Removal Of Officers And Agents By The Board.

Any officer or agent elected or appointed by the board may be removed by the Board for cause related to position whenever, in its judgment, the best interests of the Cooperative will be served thereby. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the Board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges: and the person or persons bringing the charges against him/her shall have the same opportunity.

SECTION 6.4. 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 and the Board;

- (b) Sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by the Board or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these bylaws to some other officer or agent of the 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 6.5. 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/her by the Board.

SECTION 6.6. Secretary.

The Secretary shall be responsible for:

- (a) Keeping the minutes of the meetings of the members and of the Board in books prepared for that purpose;
- (b) Seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) Be custodian of the corporate records and of the seal of the Cooperative and affix the seal of the Cooperative to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) Keeping 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 these bylaws and of all amendments thereto to each member; and
- (h) 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/her by the Board.

The Secretary shall also have the 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 certain administrative duties set forth in this Section.

SECTION 6.7. Treasurer.

The Treasurer shall be responsible for:

- (a) Custody of all funds and securities of the Cooperative;
- (b) 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 selected in accordance with the provisions of these Bylaws; provide, 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
- (c) The general performance of all the duties incident to the Office of Treasurer and such other duties as from time to time may be assigned 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 official capacity, unless such claim is a result of an act personally committed or omitted by the Treasurer resulting in Cooperative.

SECTION 6.8. General Manager.

The Board shall appoint a General Manager, who may be, but who shall not be required to be, a member of the Cooperative. The General Manager shall perform such duties as the Board may from time to time require and shall have authority as the Board may from time to time vest in him/her. The Board may, in its discretion, from time to time, amend or provide additional titles to the General Manager to more accurately reflect his/her duties and/or responsibilities.

SECTION 6.9. Bonds.

The Board shall require the Treasurer and any other 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 is shall determine. The costs of all such bonds shall be borne by the Cooperative.

SECTION 6.10. Compensation.

The powers, duties and compensation of officers, agents, accountants, attorneys, and employees shall be fixed or approved by the Board, subject to the provisions of these Bylaws with respect to close relatives of Directors.

SECTION 6.11. 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

### INDEMNIFICATION OF OFFICERS BOARD MEMBERS, EMPLOYEES AND AGENTS

SECTION 7.1. Scope Of Indemnification.

The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (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 in connection with such action, suit or proceeding; provided such person acted in good faith and in a manner 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 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 7.2. Indemnification For Good Faith Action.

The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party to, any threatened, pending, or completed action or suit by, or in the right of, the Cooperative to procure a judgment in its favor by reason of the fact that such person is, or was, a Board member, officer, employee, or agent of the Cooperative, or 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) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith, and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative. No indemnification shall be made 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 the duty of such person to the Cooperative, unless, and only to the extent that the Court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity of such expenses as the court shall deem proper.

SECTION 7.3. Cost Of Defense Indemnified.

To the extent that a Board member, officer, employee, or agent of the Cooperative has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Sections 7.1, and 7.2., in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by such person in connection therewith

SECTION 7.4. Amount of Indemnification.

Any indemnification under Sections 7.1 and 7.2 (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case, upon a determination that indemnification of the Board member, officer, employee, or agent is proper in the

circumstances because such person has met the applicable standard of conduct set forth in Sections 7.1. and 7.2. Such determination shall be made:

- (a) By the Board by majority vote of a quorum consisting of Board members who were not parties to such action, suit, or proceedings; or
- (b) If such a quorum is not obtainable, or if obtainable, if a quorum of disinterested Board members so directs, by independent legal counsel in a written opinion; or
- (c) By the members.

SECTION 7.5. Expenses Advanced.

Expenses incurred in defending a civil or criminal action, suit, or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit, or proceeding, as authorized by the Board in the specific case, upon receipt of a firm commitment by or on behalf of the Board member, officer, employee, or agent to repay such amount, unless it shall ultimately be determined that he is entitled to be indemnified by the Cooperative as authorized in this Article.

SECTION 7.6. Rights Of Persons Indemnified.

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any Bylaw, agreement, vote of members or disinterested Board members, or otherwise, both as to action in his/her official capacity and as to action in another capacity while holding such office, and as an individual.

SECTION 7.7. 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 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 8.1. 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 members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

SECTION 8.2. Membership Capital in Connection with Furnishing Telecommunications And Information Services

- (a) In the furnishing of telecommunications and information services, the Cooperative's operations shall be so conducted that all members will, through their membership, furnish capital for the Cooperative. In order to induce membership and to insure that the Cooperative will be operated on a non-profit basis, the Cooperative is obligated to account on a membership basis to all its members, 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 members, as capital. The Cooperative is obligated to pay by credits to capital account for each member 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 set up and kept in such manner that at the end of each fiscal year the amount of capital, if any, so furnished by the member for telecommunications and information services is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to the member's account; provided that individual notice of such amounts furnished by each member shall not be required if the Cooperative notifies all members of the aggregate amount of such excess from telecommunications and information services and provides a clear explanation of how each member may compute and determine the specific amounts of capital so credited to the member's account. All such amounts credited to the capital account of any member shall have the same status as though it had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital. 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 that purpose, either:

- (1) Allocated to its members on a membership basis and any amount so allocated shall be included as part of the capital to be allocated to the accounts of the various classes of members in an equitable manner as approved by the Board, or
  - (2) Used to establish and maintain a nonoperating margin reserve not assignable to members prior to dissolution of the Cooperative.
- (b) 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. 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 members' accounts may be retired in full or in part. The Board of Directors shall determine the method, basis, priority, and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital. Notwithstanding any other provision of these by-laws, the method, basis, priority, and order of retirement, if any, considered by the Board may, but is not required to, include the retirement of amounts furnished as capital at a discount. 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. Any such retirements of capital shall be made in order of priority as may be determined by the Board of Directors. 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.
- (c) All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by laws, be used to offset any losses incurred during the current or any prior fiscal year and to the extent not needed for that purpose, allocated to its members on a membership basis and any amount so allocated shall be included as a part of the capital credited to the accounts of members, as herein provided. Notwithstanding this Article VIII, the amount to be credited to the capital of members on account of their patronage shall be no less than the greater of the alternative minimum taxable income of the regular taxable income resulting from their patronage as determined under Federal income tax law.
- (d) Capital credited to the account of each member 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 members' premises served by the Cooperative, unless the Board, acting under policies of general application, shall authorize other types of assignments. Members 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 members.
- (e) All capital credits to be retired or refunded as determined by the Board of Directors as herein above provided, shall be refunded by issuing checks therefor and mailing same to the members at their last known address as reflected on the records of the Cooperative, or by any other method as determined reasonable by the Board of Directors. After written notice to such member at his/her last known address that such capital credits are payable to the member, but the same remain unclaimed, unpaid, uncashed or undelivered after a period of four (4) years, then such capital credits shall be deemed a contribution to capital of the Cooperative by such member, and the Cooperative shall be authorized to transfer such amount to a "Retired Capital Credits-Gain" account.
- (f) 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 member, if the legal representative of his estate shall request in writing, that the capital credited to any such member 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 member immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representative of such member's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.
- (g) The Capital so furnished is provided as security for payment of any debt the member may owe to the Cooperative. The member acknowledges that the patron is not entitled to receive the retirement of capital credits unless all such debts to the Cooperative have been paid. The Cooperative shall at all times have the right to offset the retirement of capital credits by the amount of debt the member may owe to the Cooperative. The Cooperative before retiring any capital credits 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 amounts became past due, compounded annually.
- (h) When the capital credits of any member no longer receiving service from the Cooperative comes to a total amount of less



than a fixed sum determined by the Board of Directors, the same may be retired in full with such retirements made only when and at the same time that a general retirement to other members is made. During a general capital credit retirement, no checks shall be issued for less than a fixed amount determined by the Board, and the amount of such unretired capital credits will be retired in the first following year, when the total amount of capital credits qualifying for retirement exceeds that amount set by the Board, including the amount carried over. 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 membership capital and shall be treated in the same manner as furnished capital set out in this Section of these Bylaws.

- (i) The Members 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 member, and further, between all the members themselves individually. Both the Cooperative and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such term and provisions with the Cooperative and each of its members. The provisions of the Article of the Bylaws shall be called to the attention of each member of the Cooperative by posting in a conspicuous place in the Cooperative's office or by publication distributed by the Cooperative to its members.

SECTION 8.3. Membership 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 membership basis and returned to those members from whom such amounts were obtained at such time and in such order of priority as the Board shall determine.

SECTION 8.4. Basis for Membership and Capital Credits.

Notwithstanding anything to the contrary herein contained, each member who purchases local telecommunications service or toll telecommunications service, or pays end user access charges in the ordinary course of business of the Cooperative is a member of the Cooperative. The use of interexchange access, payment of interexchange access fees or settlements, or the purchase of equipment does not qualify a member or other person as a member.

SECTION 8.5. Definition of Patron.

"Patron" means a "Member" of the Cooperative who is eligible to receive patronage dividends or to earn capital credits as a result of the purchase of certain services from the Cooperative as provided by Section 8.4 to Article VIII.

## ARTICLE IX

### DISPOSITION AND PLEDGING OF PROPERTY DISSOLUTION AND DISTRIBUTION OF SURPLUS ASSETS UPON DISSOLUTION

SECTION 9.1. Disposition And Pledging of Property Required by Membership.

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or a major portion of its property 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, and not otherwise, of not less than two-thirds (2/3) of the total members of the Cooperative, and
- (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.

SECTION 9.2. Disposition And Pledging Of Property By Board.

Notwithstanding the foregoing provisions of Section 9.1, the Board, without authorization by the members of the Cooperative, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof or any lending institution licensed by the federal government or the State of Texas.

SECTION 9.3. Dissolution.

The Cooperative may be dissolved by filing, as hereinafter provided, a certificate which shall be entitled and endorsed "Certificate of Dissolution of "HILL COUNTRY TELEPHONE COOPERATIVE, INC.,"" and shall state:

- (a) Name of the Cooperative, and if such Cooperative is a corporation resulting from a consolidation as herein provided, the names of all the original corporations or Cooperatives.
- (b) The date of filing of Certificate of Incorporation, and if such Cooperative is a Cooperative resulting from a consolidation as here in provided, the dates on which the Certificates of Incorporation of the original corporations are filed.
- (c) That the Cooperative elects to dissolve.
- (d) The name and post office address of each of its Directors, and the name, title and post office address of each of its officers. Such Certificate shall be subscribed and acknowledged in the same manner as an original Certificate of Incorporation by the President or a Vice President, and the Secretary or an Assistant Secretary, who shall make and annex an affidavit, stating that they have been authorized to execute and file such certificate by the votes cast in person of at least two-thirds (2/3rds) of its total membership voting and that the dissolution has been authorized by at least seventy-five percent (75%) of the holders of the indebtedness of the Cooperative. A Certificate of Dissolution and a certified copy or copies thereof shall be filed in the same place as the original Certificate of Incorporation and thereupon the Cooperative shall be deemed to be dissolved. Such Cooperative shall continue for the purpose of paying, satisfying, and discharging any existing liabilities or obligations, and collecting or liquidating its assets, and doing all other acts required to adjust and wind up its business and affairs, and may sue and be sued in its corporate name.

SECTION 9.4. 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 2.4. above; provided, however, that if in the judgement of the Board the amount of such surplus relatively is 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 TEXAS."

ARTICLE XI

FINANCIAL TRANSACTIONS

SECTION 11.1. 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 11.2. Check, Draft, 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 11.3. 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 12.1. 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 12.2. 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 grounds that the meeting has not been lawfully called or convened.

SECTION 12.3. 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 the affairs of the Cooperative.

## ARTICLE XIII

### AMENDMENTS

SECTION 13.1. Vote of Members.

These Bylaws may be altered, amended, repealed or rewritten by the affirmative vote of not less than a majority of the members, at any regular or special members meeting, but only if the notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal, or an accurate summary explanation thereof; provided, however, that the provisions of Section 9.1. relating to a major disposition of the Cooperative's property, and Section 9.2. relating to the dissolution of the Cooperative, may be altered, amended or repealed only by the affirmative vote of not less than a majority of all current members of the Cooperative voting in person and without proxies.

SECTION 13.2. Procedure for Proposals by Members.

Any proposed alterations, amendments or changes to the Bylaws by a member or members must be presented at the regular annual meeting and, if passed by a majority vote of the membership then present in person, such proposal shall be placed on the ballot mailed for the next regular or special meeting to be voted upon by the membership, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or change.

SECTION 13.3 Procedure for Proposals by Directors.

The Board may recommend to the members proposed alterations, amendments or changes to the Bylaws to be voted upon at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or change.