

BYLAWS of
Tri-County Telephone
Membership Corporation

Article I

MEMBERSHIP

Section 1. Requirements for Membership. Any person, association, corporation, or body politic or subdivision thereof will become a member of Tri-County Telephone Membership Corporation (called the "Cooperative") upon receipt of telephone or other communication services from the Cooperative, that has first:

- (a) Made a written application for membership therein;
- (b) Agreed to purchase services from the Cooperative in accordance with established tariffs and as hereinafter specified;
- (c) Agreed to comply with and be bound by the Certificate of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors; and
- (d) Paid the membership fee hereinafter specified.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these Bylaws.

Section 2. Membership Certificates. Membership in the Cooperative shall be evidence by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors. Such certificate shall be signed by the President and by the Secretary. No membership certificate shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid. In case a certificate is lost, destroyed, or mutilated; a new certificate may be issued upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe.

Section 3. Membership and Service Connection Fees.

- (a) The membership fee shall be ten (10) dollars, and the service connection fee shall be in accordance with the rules, regulations, and tariffs of the corporation, upon the payment of which a member shall be eligible for one service connection. Additional fees shall be paid for each additional connection or service; in accordance with the rules, regulations, and tariffs prescribed by the Board of Directors.
- (b) Where telephone service is already installed for a member and the member taking such service dies leaving a surviving spouse, if the spouse applies for membership and is accepted as a member of the corporation, with telephone service already installed as aforesaid, such surviving spouse shall only be required to pay a membership fee and a transfer fee.

Section 4. Purchase of Services. Each member shall, as soon as service is available, take service from the Cooperative and shall pay monthly at rates which shall from time to time be fixed by the Board of Directors; however, the Board of Directors may limit the amount of service which the Cooperative shall be required to furnish to any one member. It is expressly understood that amounts paid for services in excess of costs are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

Section 5. Termination of Membership.

(a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors may, by the affirmative vote of not less than a majority of all the directors, expel any member who fails to comply with any of the rules or regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by vote of the Board of Directors or by vote of the members at any annual, regular, or special meeting. The membership of a member who has not permitted the installation of service within thirty (30) days after he has been notified service is available to him, or of a member who has ceased to purchase service from the Cooperative may be canceled by resolution of the Board of Directors.

(b) Upon termination of membership for any reason, the membership fee of such member whose membership has been terminated shall not be refunded to the member. The membership fee will be applied to any debts due to the Cooperative.

Article II

RIGHTS AND LIABILITIES OF MEMBERS

Section 1. Property Interest of Members. Upon dissolution, after

- (a) All debts and liabilities of the Cooperative have been paid, and
- (b) All capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed in accordance with the applicable provisions of law.

Section 2. Non-Liability for Debts of the Cooperative. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative, and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

Article III

MEETING OF MEMBERS

Section 1. Annual Meeting. The Annual Meeting of Members shall be held during the month of either September, October or November of each year, at such place within a county served by the TMC as selected by the Board and which shall be designated in the notice of the meeting for the purpose of electing Board members, passing upon reports for the previous audit 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 TMC.

Section 2. Special Meetings. Special meetings of the members may be called by resolution of the Board of Directors, or upon a written request signed by any three directors, by the President, or by at least ten (10) per centum of all the members 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 counties served by the Cooperative specified in the notice of the special meeting.

Section 3. Notice of Members' Meetings. Written notice stating the place, date, and hour of the meeting, and in case of a special meeting or 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 his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members will not invalidate any action which may be taken by the members at any such meeting.

Section 4. Quorum. Business may not be transacted at any meeting of the members unless there are in person or represented by proxy at least one-half of one percent (1/2%) 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 proved in Article III Section 3. At all meetings of the Members, whether a quorum be present or not, the Secretary shall affix to the meeting minutes, or incorporate therein by reference, a list of those Members who were registered as present in person or represented by proxy.

Section 5. Voting. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy except as otherwise provided by law, the Certificate of Incorporation, or these Bylaws.

Section 6. Proxies. A member may vote by proxy executed in writing by the member. Such proxy counts for quorum purposes [Section 4]. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be valid after sixty (60) days from the date of its execution. No proxy shall be valid unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. A member

may give his proxy only to another member or to an adult relative living in the same household with such member, and no person may hold more than five (5) proxies at any meeting, except in connection with an amendment of the Certificate of Incorporation or the mortgaging or otherwise encumbering any of the Cooperative's property to secure loans made or to be made to the Cooperative by the United States of America or any agency or instrumentality thereof. The presence of a member at a meeting of the members shall revoke a proxy theretofore executed by such member and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy.

Section 7. Order of Business. The order of business at the Annual Meeting of Members and, so far as possible, at all other meetings of the members, shall be essentially as follows, with the members or the Board of Directors having the right to change the order of business at any meeting, at their discretion;

- (a) Report on the number of members in the corporation in order to determine the existence of a quorum and establishing that a quorum is present.
- (b) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (d) Presentation and consideration of reports of officers, directors, and committees.
- (e) Election of directors.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

Article IV

DIRECTORS

Section 1. General Powers. The business and affairs of the corporation shall be managed by a Board of Directors which shall exercise all the powers of the corporation except such as are by law, the Certificate of Incorporation, or these Bylaws conferred upon or reserved to the members.

Section 2. Election and Tenure of Office. The three-year-staggered-term system of the Board of Directors shall be used by the corporation. Two (2) directors will be elected at the Annual Meeting of Members in May 2015 and are hereafter designated as the "First Group of Directors" with one director residing in the service area of the Pinetown Exchange and the other director residing in the service area of the Sidney Exchange. They shall be elected at the Annual Meeting of Members every three (3) years thereafter. Two (2) directors will be elected at the Annual Meeting of Members in May 2016 and are hereafter designated as the "Second Group of Directors" with one director residing in the service area of the Pinetown Exchange and the other director residing in the service area of the Pike Road Exchange. They shall be elected at the Annual Meeting of Members every three (3) years thereafter. Two (2)

directors will be elected at the Annual Meeting of Members in May 2017 and are hereafter designated as the "Third Group of Directors" with one director residing in the service area of the Pike Road Exchange and the other director residing in the service area of the Sidney Exchange. They shall be elected at the Annual Meeting of Members every three (3) years thereafter.

At each respective Annual Meeting of Members hereafter, the directors to be elected at that meeting shall be elected by secret ballot to serve for a term of three (3) years each, or until their successors shall have been elected and shall have qualified. If an election of directors, as herein before specified, shall not be held on the date designated herein for the Annual Meeting, or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing directors within a reasonable time thereafter. Directors shall be elected by a majority of the members present and voting at a duly constituted meeting.

Section 3. Election and Credentials Committee. The Board of Directors shall, at least ten (10) days before any meeting of the members, appoint an Election and Credentials Committee consisting of an uneven number of members, not less than five (5) nor more than fifteen (15), who are not close relatives or members of the same household of existing directors or known candidates for directors to be elected at such meeting. In appointing the committee, the Board of Directors shall have regard for equitable representation of the several areas served by the Cooperative. The committee shall elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the committee to approve the manner of conducting member registration and any ballot voting, to pass upon all questions that may arise with respect to the registration of members in person or by proxy, to count all ballots cast in any election or in any other ballot vote taken, to rule upon the effect of any ballots irregularly or indecisively marked, and to pass upon any protest or objection filed with respect to any election or conduct affecting the results of any election. In the event a protest or objection is filed concerning any election, such protest or objection must be filed within three (3) business days following the adjournment of the meeting in which the election is conducted. The committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The committee shall hear such evidence as presented by the protestor(s) or objector(s) who may be heard in person, by counsel, or both; and the committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, which may be either to affirm or change the results of the election or to set aside such election. The committee's decision (as reflected by a majority of those actually present and voting) on all such matters shall be final.

Section 4. Qualifications. No person shall be eligible to become or remain a director of the Cooperative who:

- (a) is not a member of the Cooperative and not receiving telephone service therefrom at his primary residential abode, or
- (b) is in any way employed by or financially interested in a competing enterprise or a business engaged in selling telecommunications and information services or supplies, or constructing or maintaining telecommunications and information facilities other than a business operating on a cooperative nonprofit basis for the purpose of furthering rural telecommunications and information services, or
- (c) is a present or former employee of Tri-County Telephone Membership Corporation, or

(d) has not been a member of Tri-County Telephone Membership Corporation for at least three (3) years.

Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such director from office.

Nothing contained in this section shall effect in any manner whatsoever the validity of any actions taken at any meeting of the Board of Directors.

Section 5. Nominations. It shall be the duty of the Board of Directors to appoint, not less than fifty (50) nor more than eighty (80) days before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected from different sections so as to ensure equitable representation. No member of the Board of Directors may serve on such committee. The committee, mindful of the principle of geographical representation, shall prepare and post at the principle office of the Cooperative, at least thirty-five (35) days before the meeting, a list of nominations for directors which shall include at least one (1) candidate for each director to be elected. Any thirty (30) members acting together may make other nomination by petition not less than forty (40) 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 five (5) 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 the 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.

Section 6. Removal of Directors by Members. Any member may bring charges against a director and, by filing with the Secretary such charges in writing together with a petition signed by at least ten (10) per centum 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 thirty (30) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of removal of such director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

Section 7. Vacancies. Subject to the provision of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, any vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term, provided however, that in the event the vacancy is not filled by the Board of Directors within ninety (90) days after the vacancy occurs, the members shall have the right to fill such vacancy at a meeting of the members without compliance with the foregoing provisions in respect to nominations.

Section 8. Compensation. Directors shall, as determined by the Board of Directors, receive compensation for time spent on company business. This includes attendance at meetings, conferences

and training programs when authorized by the Board of Directors. Directors may be reimbursed for actual expenses incurred or a reasonable per diem allowance authorized by the Board of Directors. Directors may be extended other forms of compensation such as insurance benefits and discounts on services/products provided to employees when authorized by the Board of Directors. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director 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 the director or his close relative shall have been certified by the Board of Directors as an emergency measure.

Section 9. At-Large Director. The duly elected Board of Directors of the corporation may appoint an At-Large Director to serve as a non-voting member on the Board. The At-Large Director shall be selected from customers served in the "edge-out" service area that is, areas served outside of the cooperative's telephone boundaries, and will serve at the pleasure of the Board for a term of three (3) years from month of appointment. Compensation for this position will be the same as stated in Article IV Section 8. The At-Large Director shall not be (a) employed by or financially interested in a competing enterprise or a business engaged in selling telecommunications and information services or supplies, or constructing or maintaining telecommunications and information facilities other than a business operating on a cooperative nonprofit basis for the purpose of furthering rural telecommunications and information services, or (b) a present or former employee of Tri-County Telephone Membership Corporation.

Article V

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice, immediately after, and at the same place as the Annual Meeting of Members. A regular meeting of the Board of Directors shall also be held monthly at such time and place in North Carolina, as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meetings. Special meetings of the Board of Directors 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 the place for holding the meeting.

Section 3. Notice of Director's Meetings. Written notice of the time, place and purpose of any special meeting of the Board of Directors shall be delivered to each director not less than five (5) days previous thereto, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposed in the United States mail, addressed to the director at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

Section 4. Quorum. A majority of the Board of Directors shall constitute a quorum, provided that if less than such majority of the directors is present at said meeting, a majority of the directors present may

adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of a majority of the directors shall be the act of the Board of Directors.

Article VI

OFFICERS

Section 1. Number. The officers of the Cooperative shall be a President, First Vice President, Second Vice President, Secretary, Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The offices of Secretary and Treasurer may be held by the same person.

Section 2. Election and Term of Office. The officers shall be elected by ballot, if there is a contest, and if not, by voice vote or any other method designated by the person presiding, annually by and from the Board of Directors, at the meeting of the Board of Directors held immediately after the Annual Meeting of Members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding Annual Meeting of Members, or until his 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 of Directors for the unexpired portion of the term.

Section 3. Removal of Officers and Agents by Directors. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing, together with a petition signed by ten (10) per centum of the members, or two hundred (200) members, whichever is the lesser, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least thirty (30) days prior to the Board of Directors meeting at which the charges are to be considered and to present evidence in respect of the charges; and the person bringing the charges against him shall have the same opportunity. In the event the Board of Directors does not remove such officer, the question of his removal shall be considered and voted upon at the next meeting of members.

Section 4. Removal of Director by Directors. Any director may bring charges of malfeasance against another director by filing with the Secretary such charges in writing, setting forth the specific and particular act or acts alleged to have been committed by the director, together with the approximate date or dates of such acts and a brief summary of the evidence in support thereof. Absence by any director, for any reason, at six (6) consecutive meetings of the Board of Directors shall also be considered grounds for the removal from office of such director. The director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the Board of Directors at which the charges are to be considered and shall have the opportunity at such meeting to be heard in person or by counsel, to examine any witnesses or any evidence in support of his position. After the hearing is complete, the question of the removal of such director shall be considered and voted upon by the other directors present.

Section 5. President. The President shall:

(a) be the principal executive officer of the Cooperative and unless otherwise determined by the members or the Board of Directors, shall preside at all meetings of the members and the Board of Directors;

(b) sign, with the Secretary, certificates of membership, the issuance of which shall have been authorized by the Board of Directors, or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors 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 of Directors from time to time.

Section 6. First Vice President and Second Vice President. In the absence of the President, or in the event of his inability or refusal to act, the First Vice President or the Second Vice President, in that order, 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 First Vice President and Second Vice President shall also perform such other duties as from time to time may be assigned to them by the Board of Directors.

Section 7. Secretary. The Secretary shall:

(a) keep the minutes of the meetings of the members and of the Board in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with these Bylaws or as required by law;

(c) be custodian of the corporate records and of the seal of the Cooperative and affix 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;

(d) keep a register of the names and post office addresses of all members;

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

(f) have general charge of the books and records of the Cooperative;

(g) keep on file at all times a complete copy of the Certificate of Incorporation and Bylaws of the Cooperative containing all amendments thereto, (which copy shall always be open to the inspection of any member), and at the expense of the Cooperative forward a copy of the Bylaws and all amendments thereto to each member and;

(h) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

Section 8. Treasurer. The Treasurer shall:

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

(b) be responsible for the receipt of and the issuance of receipts for all monies due and payable to the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and

(c) in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

Section 9. Manager. The Board of Directors may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The Manager shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him.

Section 10. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent, or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

Section 11. Compensation. The powers, duties, and compensation of officers, agents, and employees shall be fixed by the Board of Directors, subject to the provisions of these Bylaws with respect to compensation for directors and close relatives of directors.

Section 12. Reports. The Officers of the Cooperative shall submit at each Annual Meeting of 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

NONPROFIT OPERATION

Section 1. Interests or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Telephone and Other Communication Services. In the furnishing of telephone and other communication services the Cooperative's operations shall be so conducted that all patrons, will through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis, the Cooperative is obligated to account, on a patronage basis, to all its patrons for all amounts received and receivable from the furnishing of telephone and other 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 at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron. The Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of

capital so credited to his account; provided that individual notice of such amounts furnished by each patron shall not be required if the Cooperative notified all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for himself the specific amounts of capital so credited to him. 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.

All other non-operating revenue received by the Cooperative from its operations in excess of cost and expenses may, insofar as permitted by law, be:

- (a) Used to offset any losses incurred during the current or any prior year, and
- (b) To the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated be included as part of the patronage capital to be allocated to the accounts of the patrons in an equitable manner as approved by the Board of Directors, or
- (c) Credited to a non-allocated capital account for all non-operating sources of income not collected from members for telecommunications or information services. This account may be re-allocated in accordance with "(a)" and "(b)" from time to time based on the needs of the Cooperative.

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 of Directors shall determine that 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. Any such retirements of capital shall be determined by the Board of Directors, based on a percentage of the year or combination of years selected for retirement.

Notwithstanding any other provision of these Bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of the patron's estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire capital credited at a discounted rate to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon, provided, however, that the financial condition of the Cooperative will not be impaired thereby.

All amounts of capital allocated to patrons but retained by the Cooperative after retirements on a discounted basis shall be considered a contribution of capital to the Cooperative and part of the "net savings" of the Cooperative. "Net Savings" of the Cooperative will not be reallocated as excess margins to any former or current Cooperative patrons, but rather be classified as permanent equity of the Cooperative.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Certificate of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and

provisions. The provisions of this article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place, the Cooperative's office, or by periodically including a summary of this provision of the Bylaws with a mailing to the Cooperative members.

Article VIII

DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease or otherwise encumber or dispose of any of its property other than merchandise and property which lie within the limits of an incorporated city or town or which shall represent not in excess of ten (10) per centum of the total value of the corporation's assets or which in the judgment of the Board of Directors are not necessary or useful in operating the corporation unless:

- (a) Authorized to do so by the votes of at least a majority of its members; and
- (b) The consent of the holders of seventy-five (75) per centum of the amount of the bonds of the Cooperative then outstanding is obtained; or
- (c) Authorized to do so by the votes of all of its directors present and voting at any legally constituted Board of Directors meeting.

Article IX

SEAL

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal" and "Belhaven, N.C."

Article X

FINANCIAL TRANSACTIONS

Section 1. Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, etc. All checks, drafts, or other orders for the payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner, as shall from time to time be determined by resolution of the Board of Directors.

Section 3. Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Directors may select.

Section 4. Change in Rates. Written notice shall be given to the Administrator of Rural Utilities Service of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the monthly rates charged by the Cooperative for telecommunications and information services become effective.

Article XI

MISCELLANEOUS

Section 1. Membership in Other Organizations. The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchases provided, however, that the Cooperative may, upon the authorization of the Board of Directors, purchase stock in or become a member of any organization or corporation organized on a nonprofit basis for the purpose of engaging in or furthering the cause of area-wide telecommunications and information services, or with the approval of the Administrator of Rural Utilities Service, of any other corporation for the purpose of acquiring telecommunications and information facilities or assuring more adequate telecommunications and information services to its members.

Section 2. Waiver of Notice. Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director, except in case a member or director shall attend a meeting for the express purpose of objecting to the transactions of any business on the grounds that the meeting has not been lawfully called or convened.

Section 3. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Certificate of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

Section 4. Accounting System and Records. The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of Rural Utilities Service of the United States of America. The Board of Directors shall also cause to be made a full and complete annual audit of the accounts, books, and financial condition of the Cooperative. Such audit reports shall be submitted to the members at the following Annual Meeting of Members.

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

Article XII

AMENDMENTS

These Bylaws may be altered, amended, or replaced by the affirmative vote of not less than a majority of the members of the Board of Directors at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal.

Article XIII

INDEMNIFICATION

Every director, officer, or former director, or employee of the corporation shall be indemnified by the corporation against all expenses and liabilities, including counsel fees, reasonably incurred or imposed upon him in connection with any proceeding to which he may be made a party, or in which he may become involved, by reason of his being or having been a director, officer, or employee of the corporation, or any settlement thereof, whether or not he is a director, officer, or employee at the time such expenses are incurred, except in cases wherein the director, officer, or employee is adjudged guilty of negligence or misconduct in the performance of his duties. Provided, however, that in the event of a settlement the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interests of the corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director, officer, or employee may be entitled.