

# **Bylaws**

of

## ***New Hope Telephone Cooperative***

**New Hope, Virginia**

Telephone Number:  
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P. O. Box 66  
New Hope, VA 24469

Revised May 6, 2009

**BYLAWS**  
**of**  
**NEW HOPE TELEPHONE COOPERATIVE**

**ARTICLE I**  
**MEMBERSHIP**

SECTION 1.1. Eligibility. Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of NEW HOPE TELEPHONE COOPERATIVE (hereinafter called the “Cooperative”) upon:

- (1) Making a written application for membership for the Cooperative’s records;
- (2) Agreeing to purchase services from the Cooperative in accordance with established tariffs, as well as to pay other charges for services that the member or the member’s tenant uses and the Cooperative is obligated by law or contract to collect;
- (3) Agreeing to comply with, and be bound by, the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board; and
- (4) Agreeing to pay any membership fee as hereinafter may be specified.

SECTION 1.2. Classifications and Restrictions.

- (a) Exchange and interexchange 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.
- (b) Each time sharing or interval ownership property is considered as a single corporate member. The owner of seasonal, recreational and short-interval rental properties will be deemed to hold the membership.
- (c) No member may hold more than one membership 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.

- (d) All memberships in the Cooperative are extended only to persons who meet the criteria of Sections 1.1 and 1.2. Two or more persons may apply for a joint membership. The term “member” as used in these Bylaws shall include two or more persons 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 certain actions by or in respect of the holders of a joint membership shall be as follows:
- (1) The presence at a meeting of one or more shall be regarded as the presence of the joint member and shall constitute a joint waiver of notice of the meeting;
  - (2) The vote of one separately or more than one jointly shall constitute the sole joint vote for such membership;
  - (3) A waiver of notice signed by one or more shall constitute a joint waiver;
  - (4) Notice to one shall constitute notice to all;
  - (5) Withdrawal of one shall terminate the joint membership, unless more than one person remains, in which case the joint membership shall continue, comprised of those persons remaining;
  - (6) Any, but not more than one, may be elected or appointed as an officer or Board member if individually qualified;
  - (7) Upon the death of any person who is a party to the joint membership, such membership shall remain a joint membership if more than one person remains. If only one person remains, the membership shall become an individual membership. However, the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 1.3. Membership Fees. A membership fee, if any, shall be determined by the Board at a uniform amount. The membership fee shall be paid at the time application for membership is made.

SECTION 1.4. Purchase of Services. As soon as service is available, each applicant for telephone service shall take service from the Cooperative. The member shall pay for such service at monthly rates in accordance with either established tariffs or policies as fixed by 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 or by regulatory requirements. 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. However, the Cooperative is not obligated to furnish such credits for services which are not billed and collected by the

Cooperative, even when such services are partially rendered using lines or other facilities of the Cooperative. Each member shall pay the above amounts owed by such member to the Cooperative as and when the same shall become due and payable.

SECTION 1.5. Termination of Membership.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe.
- (b) Upon the withdrawal, death, or cessation of service for thirty (30) continuous days, the membership of such member shall thereupon terminate and will be so recorded on the books of the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- (c) In case of termination of membership in any manner, the Cooperative shall repay to the member the amount of any membership fee credited to the member's account; provided, however, that the Cooperative shall deduct from the amount of the membership fee, the amount of any debts or obligations owed by the member to the Cooperative.

**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 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.

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 shall execute any easement or right-of-way contract on a form to be furnished by the Cooperative for the purposes set forth above.

SECTION 2.3. No Member 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.

SECTION 2.4. Property Interest of Members. Upon dissolution, after: (1) All debts and liabilities of the Cooperative shall have been paid; (2) All membership fees shall have been repaid; and (3) All capital furnished through patronage shall have been retired as provided in these Bylaws and (4) payments required under any Agreement with the Internal Revenue Service regarding the tax-exempt status of the Cooperative or any of its predecessor entities or associations have been made, then the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate capital credit balance of each member and former member bears to the total capital credit balance 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 (the “Annual Meeting”) shall be held on the last Tuesday in the month of March each year, at the time and place within the Counties of Augusta, or Rockingham or the Cities of Staunton or Harrisonburg, in the Commonwealth of Virginia, as selected by the Board and which shall be designated in the Notice of the Meeting, for the purpose of announcing the election of Board members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. If such meeting cannot be held on the date prescribed herein because of an emergency, weather-related or otherwise, the Board of Directors may reschedule the meeting to a convenient time thereafter. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative nor affect the validity of any corporate action.

SECTION 3.2. Special Meetings. Special meetings of the members may be called by resolution of the Board, or upon a written request of five (5) Board members, by the president, or by five percent (5%) or more of 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 of Augusta and Rockingham or the Cities of Staunton and Harrisonburg, in the Commonwealth of Virginia, and the location shall be 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 ten (10) days nor more than forty-five (45) 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 delivered to the United States Postal Service, 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 on a question in person or by mail ballot at least twenty-five (25) members of the Cooperative, except that, if less than a quorum is present at any meeting, a majority of those present may adjourn the meeting to another time and date. In such event, the secretary shall notify any absent members of the time, date and place of such adjourned meeting by delivered notice thereof as provided in Section 3.3. At all meetings of the members, whether a quorum is 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.

SECTION 3.6. Approval of Minutes of Members Meetings. If there is no quorum at any annual meeting of members, such that it is not possible to approve the minutes of a previous meeting of members, then following such annual meeting the Secretary shall post the draft minutes of such prior meeting for inspection by members at the principal office of the Cooperative. If no member objects in writing to such minutes within thirty (30) days of the time of posting, then the Board of Directors may approve such minutes by majority vote, and such minutes shall stand approved as if approved by a vote of the members at a duly called meeting of the members.

SECTION 3.7. Voting. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the members. Firms, partnerships, corporations, limited liability companies, or associations holding membership in the Cooperative may be represented by any individual duly authorized in writing. Voting by proxy shall not be permitted, but, if authorized in any instance by the Board of Directors, absent Members may vote in an election or on specific questions other than the removal of directors by mail ballots submitted to the members and returned to the Secretary by mail or otherwise. Each mail ballot shall notify each Member in writing, in a form approved by the Board of Directors, of the exact wording of the motion or resolution upon which such vote is taken, or the names of all candidates seeking election to the position being filled by election, and shall include a copy of such motion or resolution, if any. The Cooperative may utilize mail voting both (a) in

conjunction with a meeting at which members present in person who did not vote by mail will vote on the same questions presented by mail ballot, and (b) to take votes of members on proper questions independently of any meeting; but the Board of Directors shall specify in the resolution authorizing the mail ballot, whether or not there shall be a meeting in which live votes are received on the question or action contained in the mail ballot. Any issues with respect to voting not otherwise addressed in the Articles of Incorporation or these Bylaws, or Virginia law, shall be decided according to the latest edition of Robert's Rules of Order. All questions, except those involving multiple choice determinations, shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by law, the Articles of Incorporation, or these Bylaws. Multiple choice determinations shall be decided by a plurality vote.

SECTION 3.8. [Reserved].

SECTION 3.9. Order of Business. The order of business at the annual meeting of the members and, so far as appropriate at all other meetings of the members, shall be conducted under policies established by the Board and under an agenda essentially as follows, except as otherwise determined by the members at such meeting:

- (1) Report on the number of members present in person in order to determine the existence of a quorum.
- (2) Proof of due notice of the meeting
- (3) Reading and disposal of any unapproved minutes.
- (4) Presentation and consideration of reports of officers, directors, trustees, and committees.
- (5) Unfinished business.
- (6) New business, including election of Board members.
- (7) 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 or shall occur 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 Directors which shall exercise all of the powers of the Cooperative except such as are conferred by law, the Articles of Incorporation, or these Bylaws upon or reserved to the Members.

SECTION 4.2. Election Process and Tenure of Office. Unless the Board otherwise explicitly directs and states in the Notice of Annual Meeting, members shall have the opportunity to vote for the election of directors by mail ballot returned to the Secretary at or before the Annual Meeting (defined below) or by voting in person at the Annual Meeting. Members shall be eligible to vote for every director position. At the first annual meeting after the adoption of these bylaws, members shall elect all 9 directors; three (3) directors shall be elected to terms that expire at the next succeeding annual meeting, three (3) directors shall be elected to terms that expire at the second succeeding annual meeting, and three (3) directors shall be elected to terms that expire at the third succeeding annual meeting. After the initial annual meeting, all other directors shall be elected to serve a term that expires at the third succeeding annual meeting, or until such Director's successor shall have been elected and shall have qualified, such that the terms of one-third (1/3) of the directors shall expire each year. If a member elected as a director is a firm, association, another cooperative, corporation, business trust, partnership or body politic, such member shall authorize a natural person affiliated with such member to attend meetings of the Board and to act for such member with regard to its duties and rights as a member of the Board of Directors. Directors shall be nominated as provided hereinafter.

SECTION 4.3. Qualifications to be Nominated, to Become, or Remain a Director. Any member shall be eligible to be nominated, elected and remain a director of the Cooperative who:

- (1) Is a member of the Cooperative;
- (2) Is not an employee of the Cooperative, a contractor with 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. If a majority of the Board find at any time that any directors is so interested or affiliated at a more than de minimus level, he shall thereupon cease to be a director, and his seat shall be vacant; and
- (3) Is not closely related to an incumbent director, an employee of the Cooperative, or a contractor with 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 to be re-elected as a director if she becomes a close relative of another incumbent director, a Cooperative contractor, or a Cooperative employee because of a marriage to which she was not a party; neither shall an employee lose eligibility to continue in the employment of the Cooperative if he becomes a close relative of a director because of a marriage to which he was not a party.



Nothing in this Section shall affect in any manner whatsoever the validity of any action taken at any meetings of the Board.

SECTION 4.4. Nominations. It shall be the duty of the Board to appoint, not later than the December 1 preceding the Annual Meeting, a Committee on Nominations consisting of not less than three (3) nor more than five (5) members, who must be members of the Cooperative but may or may not be members of the Board. The Committee shall prepare and post at the principal office of the Cooperative on or before the January 10 preceding the Annual Meeting a list of nominations for Board members which shall include as many nominees for each Board position as the committee deems desirable. In addition, any ten (10) or more members acting together may make other nominations by petition and shall deliver such petition to the secretary on or before the February 10 preceding the Annual Meeting. No other nominations shall be considered. The secretary shall be responsible for mailing a Notice of the Meeting, with a mail ballot, to the members of the Cooperative no earlier than the February 11 preceding the Annual Meeting. If any of the dates mentioned in this Section 4.4 is not a business day, the deadline for performing the action described shall be extended to include submissions made on the business day immediately following.

SECTION 4.5. Removal of Board Member by Members and Resignations. Any member may bring charges, relating to the duties and responsibilities of his position, against a Board member and, by filing with the secretary such charges in writing together with a petition signed by at least ten (10) percent of the members, or two hundred (200) whichever is the lesser, may request the removal of such Board member by reason thereof. Such Board member shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel to present evidence in respect to the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such Board member shall be considered and voted upon at the meeting of the members. No director shall be removed from office except by a vote of two-thirds (2/3) of the members present in person. Any vacancy created by such removal may be filled by vote of the members present in person at such meeting without compliance with the foregoing provisions with respect to nominations. A director may resign at any time by written notice delivered to the Board, 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 4.6. Vacancies. Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Board members by the members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Board members for the unexpired portion of the term, 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 by balloting of those present in person without compliance with the foregoing provisions in respect to nominations. However, any successor, whether chosen by the Board or the members, must have the same qualifications for office as set forth in Section 4.3.

SECTION 4.7. Compensation. Board members shall, as determined by resolution of the Board, receive a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the Board. Board members also shall be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business. No Board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a Board member receive compensation for service to the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the Board member or his close relative shall have been certified by the Board as an emergency measure. For purpose of this section, close relative includes grandparents, parents, husband, wife, children, grandchildren, brothers, sisters, aunts, uncles, nephews and nieces, by blood, by marriage or by adoption, and spouses of any of the foregoing.

SECTION 4.8. Rules, Regulations, Tariffs and Contracts. The Board shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate classifications, rates, tariffs, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law, 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 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 4.9. Accounting Systems and Reports. The Board shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition. A summary or report of such of such operations and conditions 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. The fiscal year of the Cooperative shall run from November 1 through October 31 of each calendar year. The previous sentence is declarative of existing practice within the Cooperative, and is consistent with the Cooperative's practice since its inception.

## **ARTICLE V**

### **MEETINGS OF THE BOARD**

SECTION 5.1. Regular Meetings. A regular meeting of the Board shall be held once per calendar quarter at such time and place as designated by the Board. Such regular quarterly meeting may be held without notice other than such resolution fixing the time and place thereof. A minimum of at least four (4) regular meetings shall be held each year. Unless specifically prohibited by law, meetings, regular or special, may be conducted through the use of conference telephone or other communications equipment by means of which all persons participating in the meetings can communicate with each other. Such participation will constitute attendance and presence in person at the meeting of the persons participating.

SECTION 5.2. Special Meetings. Special meetings of the Board may be called by the president or by any five (5) Board members, and it shall thereupon be the duty of the secretary to

cause notice of such meeting to be given as hereinafter provided. The president or Board members calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 5.3. 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 or by mail, at the direction of the secretary, or upon default in duty by the secretary, by the president or one of the Board members calling the meeting at least five (5) days before the date set for the meeting. If mailed, such notice shall be deemed to be delivered when deposited with the U. S. Postal Service, addressed to the Board member at his address as it appears on the records of the Cooperative, with first-class postage thereon prepaid.

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 a 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 document 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, a secretary-treasurer, and such other officers as may be determined by the Board from time to time.

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 the Board, at the next meeting of the Board held after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. The Board shall elect the president and vice-president from among their own members. The secretary-treasurer and any other officers need not be Board 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, whichever is later. Except as

otherwise provided in these Bylaws, a vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 6.3. 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 shall have the same opportunity.

SECTION 6.4. President. The president shall:

- (1) 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;
- (2) Sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (3) In general perform all duties incident to the Office of President and such other duties as may be prescribed by the Board from time to time.

SECTION 6.5. Vice President. In the absence of the president, or in the event of his inability or refusal to act, the vice president shall perform the duties of the president, and when so acting shall have all the powers of and be subject to all the restrictions upon the president. The vice president shall also perform such other duties as from time to time may be assigned to him by the Board.

SECTION 6.6 Secretary. The secretary shall be responsible for:

- (1) Keeping the minutes of the meetings of the members and of the Board in books prepared for that purpose;
- (2) Seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (3) The safekeeping of the corporate books and records;
- (4) Keeping a register of the names and post office addresses of all members;

- (5) Keeping on file at all times a complete copy of the Certificate of Incorporation and Bylaws of the Cooperative containing all amendments thereto and at the expense of the Cooperative, furnishing a copy of these Bylaws and of all amendments thereto to each member; and
- (6) In general performing all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the Board.

SECTION 6.7. Treasurer. The treasurer shall be responsible for:

- (1) Custody of all funds and securities of the Cooperative;
- (2) The receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; provided, however, that the treasurer shall have authority, with the approval of the Board, to delegate to the general manager the authority to appoint employees of the Cooperative to actually carry out the responsibilities set forth in this section; and
- (3) The general performance of all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him 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 loss to the 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.

SECTION 6.9. Bonds. The Board may require any officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such surety shall be borne by the Cooperative.

SECTION 6.10. Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed or approved by the Board, subject to the provisions of these Bylaws with respect to compensation for 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

### NON-PROFIT OPERATION

SECTION 7.1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 7.2 Patronage Capital in Connection with Furnishing Telephone Services. In the furnishing of telephone services, the Cooperative's operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to insure that the Cooperative will be operated on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of telephone 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 manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though 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-patronage income received by the Cooperative from its operations in excess of costs and expenses, insofar as permitted by law, shall be used to offset any losses incurred during the current or any prior fiscal year, and to the extent not needed for that purpose, shall be:

- (1) Treated as permanent capital, or
- (2) Allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital to be allocated to the accounts of the various classes of patrons in an equitable manner as approved by the Board.

In the event of dissolution or liquidation of the Cooperative, after all the amounts described in Section 2.4 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 patrons' accounts may be retired in full or in part. Any such retirements of capital shall be at the sole discretion and direction of the Board as to timing, method and type of retirement.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative, pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or in a part of such patrons' premises served by the Cooperative unless the Board, acting under policies of general application, shall authorize other types of assignments. Patrons at any time may assign their capital credits back to the Cooperative. The Cooperative shall be bound by any applicable final court order with respect to capital credits of bankrupt patrons. Notwithstanding any other provision of these Bylaws, the Board, at its discretion, shall have the power at any time upon the death of any natural patron, if the legal representative of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would be retired in a general retirement under provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representative of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

All tax refunds made by the United States Government or any of the states in connection with the final or true cost of service as determined by the capital credits allocation process may be held and used by the Cooperative as furnished patronage capital and shall be treated in the same manner as furnished capital set out in this Section of these Bylaws. The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract both between the Cooperative and each patron, and further, between all the patrons themselves individually. Both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions with the Cooperative and each of its patrons.

The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office or by publication distributed by the Cooperative to its patrons.

SECTION 7.3. Setoffs. To the full extent permitted by law, the Cooperative shall be entitled to setoff against any claims that it may have against any patron, any amounts that that Cooperative may owe such patron. The Board may establish general policies for the crediting of patronage to the accounts of patrons maintaining accounts with the Cooperative.

## **ARTICLE VIII**

### **DISPOSITION AND PLEDGING OF PROPERTY.**

#### **DISSOLUTION AND DISTRIBUTION OF**

#### **SURPLUS ASSETS UPON DISSOLUTION**

SECTION 8.1. Disposition and Pledging of Property.

- (a) The Cooperative may not sell, lease or dispose of any of its property, which property in any one year is in excess of ten percent (10%) in value of the value of all its property unless such sale, lease or other disposition is:
  - (1) Authorized at a meeting of the members by the affirmative vote cast in person or proxy of more than two-thirds (2/3) of all members of the Cooperative; and
  - (2) Proceeded by a notice of meeting at which such sale, lease or other disposition is to be voted on.
- (c) Notwithstanding the foregoing provisions of this Section, the Board shall have the power and authority:
  - (1) To borrow monies from any source and in any such amounts as the Board may from time to time determine are needed in pursuit of the Cooperative's business purposes, and
  - (2) To mortgage or otherwise encumber any and all of the Cooperative's property or assets as security for such borrowing.

**ARTICLE IX**

**FINANCIAL TRANSACTIONS**

SECTION 9.1. 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 9.2. 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 the Treasurer or by such other officer or officers, agent or agents, employee or employees of the Cooperative and in such manner, as shall from time to time be determined by resolution of the Board.

SECTION 9.3. 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 X**



## **INDEMNIFICATION**

SECTION 10.1. To the full extent that the Virginia Nonstock Corporation Act (as incorporated by reference Section 56-488 of the Code of Virginia, 1950, as amended) permits the limitation or elimination of the liability of directors or officers, a director or officer of the Cooperative shall not be liable to the Cooperative or its members for any monetary damages.

SECTION 10.2. The Cooperative shall indemnify any director or officer of the Cooperative who is, or was, a party to any proceeding by reason of the fact that he or she is or was, such a director or officer, and shall indemnify any director or officer of the Cooperative who is, or was, serving at the request of the Cooperative as a director, partner, member, trustee, officer, manager, employee or agent of another Cooperative, association, limited liability company, partnership, joint venture, trust, employee benefit plan or other profit or non-profit enterprise, against all liabilities and expenses incurred in the proceeding, except such liabilities and expenses as are incurred because of his willful misconduct or knowing violation of criminal law.

SECTION 10.3. Subject to the provisions of Section 10.7, a determination to indemnify a director or officer under Section 10.2 shall be made, in the first instance, by a majority vote of a quorum of the board of directors, such quorum consisting of disinterested directors. If a quorum of disinterested directors cannot be obtained, then the determination shall be made by majority vote of a committee designated by the board of directors (in which designation interested directors may participate); the committee shall consist solely of two or more disinterested directors. If neither a quorum consisting of disinterested directors nor the committee described above can be obtained, the determination shall be made by special legal counsel appointed by a majority vote of the board of directors (in which selection interested directors may participate). Notwithstanding any other provision of this Article, in any instance, the determination to indemnify a director or officer may be made by a vote of the members of the Cooperative, except that members who are directors or officers and are parties to the proceeding may not vote on the determination.

SECTION 10.4. Once a determination to indemnify has been made pursuant to the provisions of Section 10.3, the Cooperative shall make advances for expenses of, and reimbursements for expenses incurred by, any director or officer in any proceeding described in Section 10.2, upon receipt of an undertaking from the director or officer to repay the same if it is ultimately determined that he or she is not entitled to indemnification. Such undertaking shall be an unlimited, unsecured general obligation of the director or officer and shall be accepted without reference to his ability to make repayment. The director or officer also shall furnish the Cooperative with a written statement of his or her good faith belief that he or she has met the standard of conduct described in Section 13.1-876 of the Code of Virginia.

SECTION 10.5. The board of directors is hereby empowered to cause the Cooperative to indemnify and make advances and reimbursements to any person not specified in Section 10.2 who was or is a party to any proceeding by reason of the fact that he or she is, or was, an

employee or agent of the Cooperative, or is, or was, serving at the request of the Cooperative as a director, partner, member, trustee, officer, employee, manager or agent of another Cooperative, association, limited liability company, partnership, joint venture, trust, employee benefit plan or other profit or non-profit enterprise, to the same extent as if such person was specified as one to whom indemnification is granted in Section 10.2. The provisions of Sections 10.2 through 10.4 shall be applicable to any indemnification, determination, advancements and reimbursements provided pursuant to this Section 10.5.

SECTION 10.6. The Cooperative may purchase and maintain insurance to indemnify it against the whole or any portion of the liability assumed by it in accordance with this Article, and also may procure insurance in such amounts as the board of directors may determine on behalf of any person who is, or was, a director, officer, employee or agent of the Cooperative, or is, or was, serving at the request of the Cooperative as a director, partner, member, trustee, officer, employee or agent of another Cooperative, association, limited liability company, partnership, joint venture, trust, employee benefit plan or other profit or non-profit enterprise, against any liability asserted against or incurred by such person in any such capacity, or arising from his or her status as such, whether or not the Cooperative would have power to indemnify him or her against such liability under the provisions of this Article.

SECTION 10.7. If there has been a change in the composition of a majority of the board of directors after the date of the alleged act or omission with respect to which indemnification is claimed, any determination as to indemnification, or advancement or reimbursement of expenses with respect to any claim for indemnification, made pursuant to Section 10.2 or Section 10.5 shall be made by special legal counsel agreed upon by the board of directors and the proposed indemnitee. If the board of directors and the proposed indemnitee are unable to agree upon such special legal counsel, the board of directors and the proposed indemnitee each shall select a nominee, and the nominees shall select such special legal counsel.

SECTION 10.8. The provisions of this Article shall be applicable to all actions, claims, suits or proceedings commenced after the adoption hereof, whether arising from any action taken, or failure to act, before or after such adoption. No amendment, modification or repeal of this Article shall diminish the rights provided hereby or diminish the right to indemnification with respect to any claim, issue or matter in any then pending or subsequent proceeding that is based in any material respect on any alleged action or failure to act prior to such amendment, modification or repeal. References in this Article to directors, officers, employees or agents shall include former directors, officers, employees and agents and their respective heirs, executors and administrators.

## **ARTICLE XI**

### **MISCELLANEOUS**

SECTION 11.1. 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 11.2. 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 11.3. 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.

SECTION 11.4. Unclaimed Funds. Notwithstanding any other provision of these bylaws, if a Member or any other person who is entitled to receive any funds from the Cooperative for any reason whatsoever (including patronage refunds) fails to claim such funds within six (6) months after payment of the same has been made available to him by notice or check mailed to him at his last known address, and after the provision of the further notice described herein, such failure shall be and hereby constitutes an extinguishment of his claims and shall be and is an irrevocable assignment of such funds by such Member or person to the Cooperative. If any such fund is so extinguished and assigned to the Cooperative, the Cooperative shall treat the amount of the fund as incidental income and shall allocate the amount involved on a patronage basis to the members of the Cooperative in the fiscal year in which such assignment is made. All such incidental income derived from such assignments to the Cooperative shall be handled, distributed, and treated in a manner consistent with the provisions of these bylaws. The further notice herein provided shall be published in a newspaper having general circulation in the territory served by the Cooperative, and such publication shall run once a week for two successive weeks. The assignment and extinguishment of the claim to such funds by the member or other person shall be final and effective sixty (60) days after the further notice was published.

## **ARTICLE XII**

### **AMENDMENTS**

SECTION 12.1. By the Members. These bylaws may be amended or revised by the members of the Cooperative by a 2/3 vote of the members voting thereon at any regular or special meeting of the Members or by consent of 2/3 of the Members voting thereon by mail ballot, or a combination thereof, provided in either instances that written notice of the proposed changes shall have been mailed to each member at his last known address at least ten (10) days prior to any such meeting or ten (10) days prior to the date on which the mail ballot must be returned to be counted. The bylaws made by the Board of Directors may be repealed or amended, and new bylaws adopted by the members, and the members may prescribe that any bylaws made by them shall not be altered, amended, or repealed by the board of directors.

SECTION 12.2. By the Board of Directors. Except as to those bylaws made by the members which expressly cannot altered, amended, or repealed by the board of directors, the board of directors may amend, revise, repeal, and adopt new bylaws with the concurrence of 2/3 of the whole number of directors, voting thereon at any meeting, provided that written notice of the proposed bylaws, amendments, or revisions shall have been delivered or mailed to each director at least ten (10) days prior to the date of any such meeting. This notice requirement may be waived in writing by 2/3 of the whole number of directors.

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