



70 MCDONOUGH TELEPHONE COOPERATIVE BUILDING CONNECTIONS

ANNIVERSARY CELEBRATION

2021 ANNUAL MEETING

SEPTEMBER 1, 2021
THE CROSSING, MACOMB



McDonough Telephone Cooperative

COOPERATIVE DIRECTORS



Leroy Tappe
Chairman
Smithshire/Swan
Creek/Raritan
District 2



Jay Morrison
Treasurer
Colusa/Lomax
District 7



Jason Vyhnanek
Colchester
District 5



Randy Grove
Vice Chairman
Good Hope
District 4



Jason Chancy
Industry/Littleton
District 3



Mitchell Welsh
Blandinsville
District 6



Rose Marie Lynn
Secretary
Adair/Bardolph
District 1



Lanny Carson
Colchester
District 5



John D. McMillan
Legal Counsel

ANNUAL MEETING 2021 PROGRAM

September 1, 2021

5pm: Registration
The Onstage Band,
Performing 5-7pm

7pm: Call to order
Leroy Tappe, Chairman

Presentation of Colors
Macomb Boy Scout
Troop 315

Invocation

Reading of the Notice
Approval of 68th Annual
Meeting Minutes
Rose Marie Lynn, Secretary

Treasurer's Report
Jay Morrison, Treasurer

Chairman's Report
Leroy Tappe, Chairman

President's Report

Jay Griswold, President & CEO

Business Session

Election of Directors
Unfinished Business
New Business
Adjournment

*John D. McMillan, Legal
Counsel*

Drawing of Prizes

Prior to meeting, we will be
serving pulled pork
sandwiches, chips, & ice
cream sandwiches



The Onstage Band

MTC Recognized as Smart Rural Community Gig-Capable Provider

Smart Rural Community, an initiative of NTCA-The Rural Broadband Association, promotes collaboration among broadband providers and other local leaders to leverage broadband-enabled solutions to generate innovative economic development, education, health care and other vital solutions for rural areas.

The SRC network is made up of a group of carefully vetted, rural broadband providers who are committed to driving growth and creating opportunities for their communities. SRC providers enable fast, reliable and sustainable connectivity needed to thrive in an online world, especially as the demand for distance learning, telemedicine and remote work grows. We at McDonough Telephone are honored to be recognized as a Smart Rural Community provider, and we're excited to continue connecting rural communities to reliable internet and telecom services.



GIG-CAPABLE PROVIDER



PRESIDENT'S REPORT

Now that the pandemic is behind us and things are relatively back to normal, we are happy we will be able to be together for our 70th annual meeting in 2021.

In 2020, the demand for reliable broadband grew exponentially. We continue to aggressively expand our fiber optic network in both our cooperative areas, as well as our edge-out areas through our subsidiary, MTC Communications. On the cooperative side of the house, during 2020 we were able to complete the exchanges of Industry and Swan Creek as well as start construction in the Littleton exchange. In 2021, we will see the mainline of the Colchester, Raritan, Adair, Bardolph and Smithshire exchanges completed. We remain on track for having all of the cooperative areas built out and converted to fiber by the end of 2022. Fiber optic cable continues to be, and will be for years to come, the most reliable and speed-sustainable method of delivering high-speed broadband available.

The financial position of the cooperative remains strong as operating revenues continue to grow. We generated over \$1M in new operating revenue through our cooperative and subsidiary for the year ended 12/31/20. We also continue to have a very strong balance sheet with over \$50M in assets. The vision for the future of the cooperative and the strategic plan adopted by your board of directors will ensure the cooperative remains strong for years to come.

The recognition that there is still a need for more reliable broadband in rural Illinois maintains its hold on the attention of both Springfield and Washington DC. Our legislators continue to develop grant programs to support the expansion of rural broadband. We will actively monitor the grant programs with the goal of bringing much needed support for broadband to western Illinois.

On behalf of your board of directors and the employees of the cooperative, we thank you for your continued patronage and support and look forward to serving you in the future.



Jay Griswold
President & CEO

2019 MEETING MINUTES



The 68th Annual Meeting of the membership of McDonough Telephone Cooperative was held at The Crossing in Macomb, Illinois, on Wednesday, August 28, 2019 at 7:00 P.M. Food was served to members in attendance prior to the meeting and the OnStage Band provided entertainment.

Chairman Leroy Tappe welcomed the membership and thanked the OnStage Band for providing the entertainment. Chairman Tappe introduced Grant Brown, pastor at The Crossing, who gave the invocation. Scout Troop 313 presented the Flag and led the membership in the Pledge of Allegiance.

Chairman Tappe introduced Rachel Kerns, Director of Marketing & Public Relations, who spoke about the Youth to Washington Tour, which has been supported by the Cooperative for the last 28 years. Rachel introduced the students who took part in the tour, McLain Engnell from West Prairie High School, Reese Esther from Rushville Industry High School, Karem Tasdan from Macomb High School and Erbenita Zejnul from Macomb High School. Each of the students took turns speaking about the Washington D.C. Tour and thanked the Cooperative for its support. Chairman Tappe thanked Rachel for supervising the trip and thanked State Representative Norine Hammond for hosting the students in Springfield. Leroy thanked the offices of Congressman LaHood and Congresswoman Bustos for their support of our student advocates during the trip to Washington D.C.

Chairman Tappe presented attorney John McMillan with a plaque recognizing his 40 years of service as legal counsel for the Cooperative.

Chairman Tappe announced that sufficient members were present for a quorum and called the meeting to order. Total membership attendance was 297. Chairman Tappe introduced the members of the Board and then asked Board Secretary, Rose Marie Lynn, to read the Notice of the Meeting and to present the 2018 Annual Meeting Minutes. Secretary Lynn read the notice of the meeting and stated that the 2018 Annual Meeting minutes were printed in the Annual Meeting notice. No member requested that the minutes be read and Secretary Lynn moved that the 2018 Annual Meeting minutes be approved as printed in the Annual Meeting Notice. Chairman Tappe asked for and received a second to the motion, which passed without objection on a voice vote.

Chairman Tappe called upon President Jay Griswold for the Treasurer's report. President Griswold referred the members to the Cooperative Balance Sheet and 2018 Statement of Income and Expenses, which were printed in the Annual Meeting Notice. President Griswold confirmed that the financial statements had been audited by the firm of BKD, CPAs and Advisors. After receiving no questions about the financial information, Chairman Tappe requested and received a motion and second to approve the Treasurer's Report as printed, which carried on a voice vote.

Chairman Tappe introduced retired McDonough Telephone directors in attendance, including Jerry Payne, Lyle Hudson, Lyle Vail and Larry Thompson. Leroy also introduced McDonough Power Cooperative directors in attendance, including Jerry Riggins, Steve Hall and Steve Lynn. In his report to the membership, Chairman Tappe discussed the status of the Cooperative's fiber build-out plan, the continued expansion of our services outside of our regulated exchanges and the Cooperative's commitment to its members. Accomplishments during the year included a \$2500 scholarship awarded to Ethan Hunt from the Foundation for Rural Service, the Rich Myers Memorial Youth Tour Scholarship awarded to Karem Tasdan, financing the Youth to Washington DC Tour, construction of 210 miles of new fiber, expansion of MTC customers and McDonough Employee Goodwill Fund charitable contributions. Leroy thanked the West Prairie After Prom 2021 committee for their assistance with the food service tonight.

Chairman Tappe introduced President Jay Griswold, who reported on our MTC Communications, Inc. subsidiary and the expansion of services into additional communities. Jay emphasized that these new sources of revenue are crucial to building fiber to all of our communities. Jay concluded his report by emphasizing our continued commitment to convert everyone to fiber by 2023, while continuing our expansion into neighboring communities. Jay recognized and thanked the employees for their dedicated service to the Cooperative during a very busy year. Years of service awards were presented to Bob Bisby and Marsha Livingstone.

President Griswold then introduced John McMillan, Cooperative Attorney, for the election of Directors. Attorney McMillan started with the introduction of Lester Fowler, chairperson of the Nominating Committee. Lester reported on the results of the Nominating Committee meeting, held on June 6, 2019. After the Report of the Nominating Committee chairman, John stated that only one candidate has been nominated for the position of Director in each of Districts 3, 4 & 5 and that the Cooperative had not received any nominations by petition. John asked for a motion to have the Secretary cast a unanimous ballot for the unopposed candidates. After motion, second and a voice vote, John declared the following candidates elected for a 3-year term on the Board of Directors:

District No. 3, Industry/Littleton	Jason Chancy
District No. 4, Good Hope	Randy Grove
District No. 5, Colchester	Lanny Carson

After the election, John shared the numerous and significant changes in the telecommunications business over the last 40 years and expressed his gratitude to the Board for the opportunity to serve and work with them.

Attorney McMillan asked if there was any old or new business to be brought before the membership. Hearing none, the meeting was adjourned upon motion, second and a voice vote.

John turned the meeting over Rachel Kerns, who assisted Michelle Torrance with the drawing for door prizes. The Youth prize was won by Randy Joe James and the two grand prizes were won by Kathleen Markey and Connie Vance.



Rose Marie Lynn
Secretary

Rose Marie Lynn

EMPLOYEE SPOTLIGHT



Riley Powell
Installation/Repair Technician,
August 2020
Hometown: Bushnell
Favorite Place Visited? Colorado
What are you most grateful for?
Family, Friends, and my dog



Mark Zaehring
Installation/Repair Technician,
April 2021
Hometown: Macomb
Favorite Place Visited? Denver,
CO for the National Western
What are you most grateful for?
Family



Jacob Little
Installation/Repair Technician,
May 2021
Hometown: Nauvoo
Favorite Place Visited? Los Cabos,
Mexico
What are you most grateful for?
Family & Friends



Cameron Raymond
IT Specialist,
August 2020
Hometown: Bushnell
Favorite Place Visited? Rocky
Mountain National Park, Colorado
What are you most grateful for?
Every day above ground

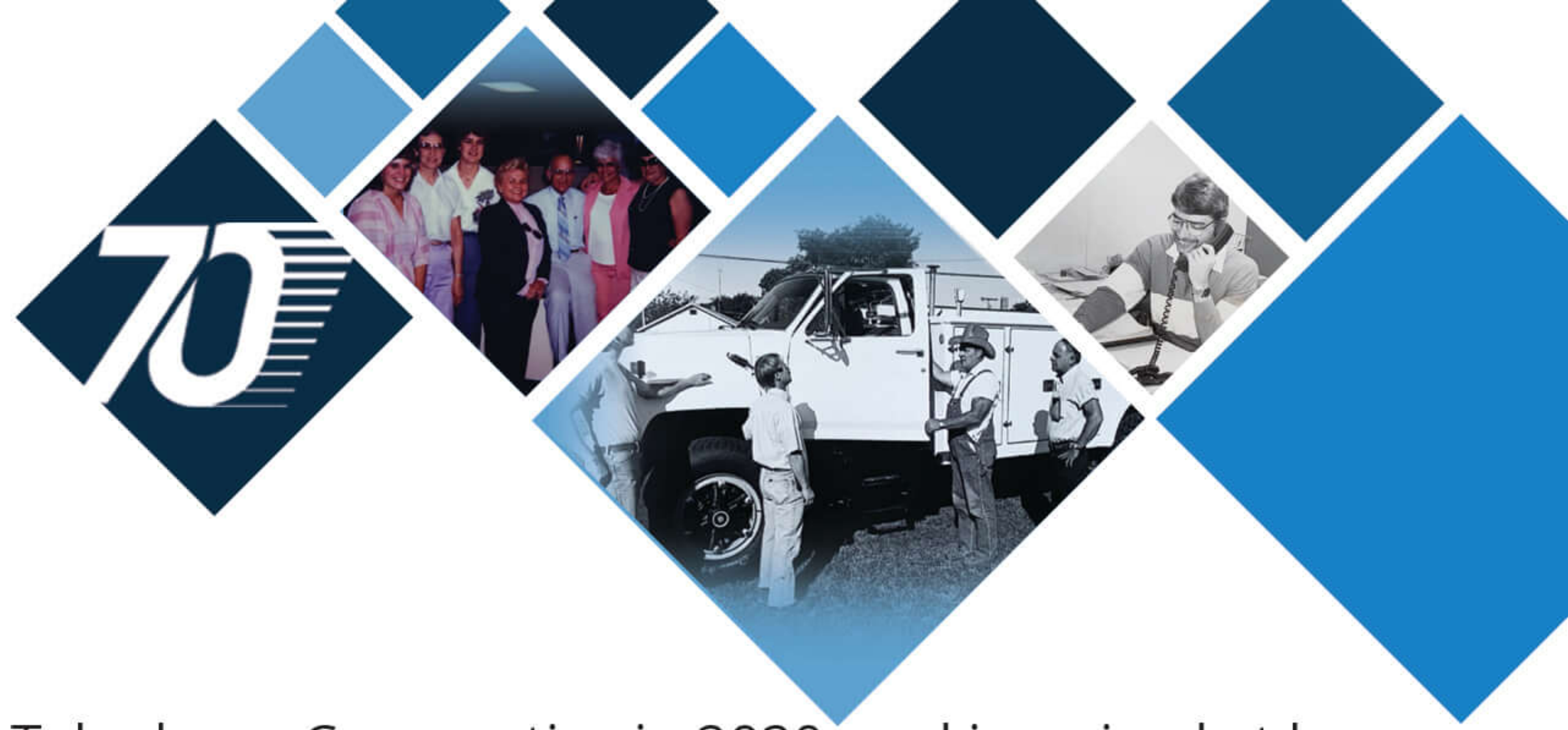


Aaron Logan
Installation/Repair Technician,
January 2021
Hometown: Blandinsville
Favorite Place Visited? Germany
while in the army
What are you most grateful for?
Family and friends in my life



Waylon Brown
IT Specialist, May 2021
Hometown: Colchester
Favorite Place Visited? Nashville,
TN
What are you most grateful for?
Music

2021 FINANCIAL REPORT



Capital Credit Report

Under Article X, Sections 1 and 2, Bylaws of McDonough Telephone Cooperative, Inc. read in part, "In order to induce patronage and to ensure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its Members for all amounts received and receivable from the furnishings of Broadband and Communications services in excess of operating cost and expenses properly chargeable against the furnishing of such services. All such amounts in excess of operating costs and expenses for Broadband and Communications services at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the Members as capital.

The Cooperative is obligated to pay by credits to a capital account for each Member all such amounts in excess of operating costs and expenses derived from Broadband and Communications services. 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 the Member for Broadband and Communications services is clearly reflected and credited in an appropriate record to the capital account of each Member.

For patronage and capital credit account purposes, the term "all amounts received and receivable from the furnishing of Broadband and Communications services" shall include all amounts billed to and paid by the Member to the Cooperative for Broadband and Communications services, whether such services are provided to the Member directly by the Cooperative or indirectly from a wholly-owned subsidiary of the Cooperative. The Cooperative shall, within a reasonable time after the close of the fiscal year, notify each Member of the amount of capital so credited to the Member's account.

All such amounts credited to the capital account of any Member shall have the same status as though they had been paid to the Member in cash in pursuance of a legal obligation to do so and the Member had then furnished the Cooperative corresponding amounts of capital. Any operating losses of the Cooperative shall be offset by subsequent year's margins prior to allocation." Allocation assigned to each member is based on each dollar which the member has paid to McDonough

Telephone Cooperative in 2020, and is arrived at by dividing total margins by the service revenue received. This allocation amount will be printed on a fall billing in the message center.

Patronage capital is used for plant improvements and reduces the need for the Cooperative to borrow funds for this purpose.

The capital credit funds are assignable to the books of the Cooperative. For answers to questions concerning capital credits or other services, please call the business office.

Independent Auditor's Report

We have audited the accompanying consolidated financial statements of McDonough Telephone Cooperative, Inc. and subsidiary, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The

procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of McDonough Telephone Cooperative, Inc. and subsidiary, as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

BKD LLP, CERTIFIED PUBLIC ACCOUNTANTS

TREASURER'S REPORT

The accompanying financial statements, which consolidate the accounts of the Cooperative, have been prepared in conformity with generally accepted accounting principles.

Integrity and objectivity of the data in these financial statements are the responsibility of Management. To this end, Management maintains a system for internal accounting controls. Our Accounting Department monitors compliance with these. The system of internal accounting control on an ongoing basis is reviewed, evaluated and revised as necessary in view of the results of the internal and independent audits, Management recommendation, changes in the Cooperative's business and other conditions which come to Management's attention. The Board of Directors believes that the Cooperative's system, taken as a whole, provides reasonable assurance: (1) that financial records are adequate and can be relied upon to permit the preparation of financial statements in conformity with generally accepted accounting principles, and (2) that access to assets is permitted only in accordance with the Board's authorization. Recorded financial data is reviewed by the Board of Directors monthly to assure the continued successful operation of the Cooperative.

These financial statements have been examined by BKD LLP, Independent Certified Public Accountants. Their examination is in accordance with generally accepted auditing standards and includes selective tests of transactions and a review in the internal accounting control.

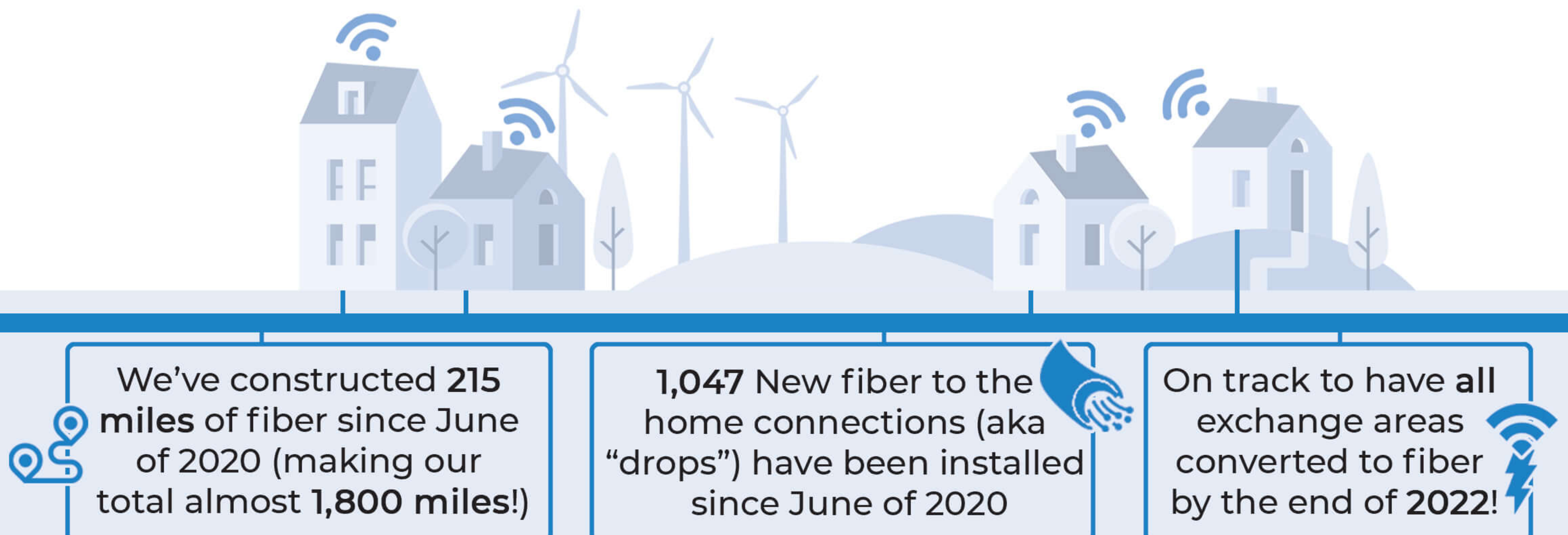
I would like to take this opportunity to thank you for your assistance and cooperation in making this another successful year.



JAY MORRISON

Treasurer

Jay Morrison

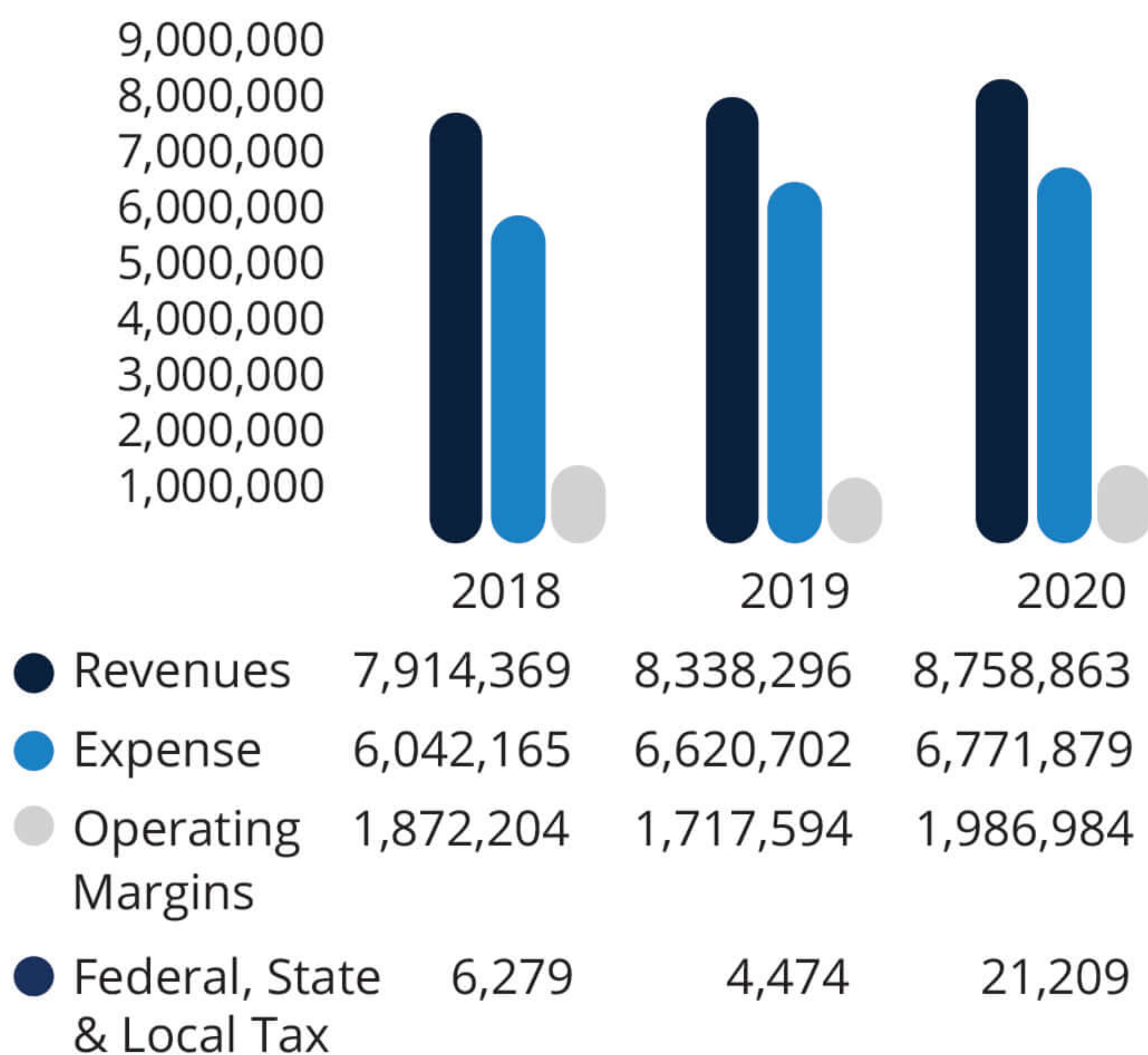


REVENUE AND EXPENSES

Twelve Months Ending December 31, 2020

Operating Revenues		
Local Network Services	472,266	
Network Access Services	7,914,039	
Equipment Sales	11,731	
Misc Operating Revenue	<u>360,827</u>	
Total Operating Revenues		8,758,863
Operating Expenses		
Plant Specific Operations	1,975,548	
Plant non-Specific Operations	348,675	
Cost of Equipment Sales	21,482	
Depreciation	2,514,879	
Customer Operations	686,579	
Corporate Operations	1,205,311	
General Taxes	<u>19,405</u>	
Total Operating Expenses		<u>6,771,879</u>
Operating Margins		1,986,984
Other Income (Expense)		
Interest and Dividend Income	130,051	
Interest on Long term debt	53,639	
Income Taxes	(21,209)	
Gain on PPP loan forgiveness	612,100	
Equity Earnings of Subsidiary	2,848,045	
Other	<u>(98,918)</u>	
Total Other Income Expenses		<u>3,523,708</u>
Net Margins		<u>5,510,692</u>

COMPARATIVE STATISTICS

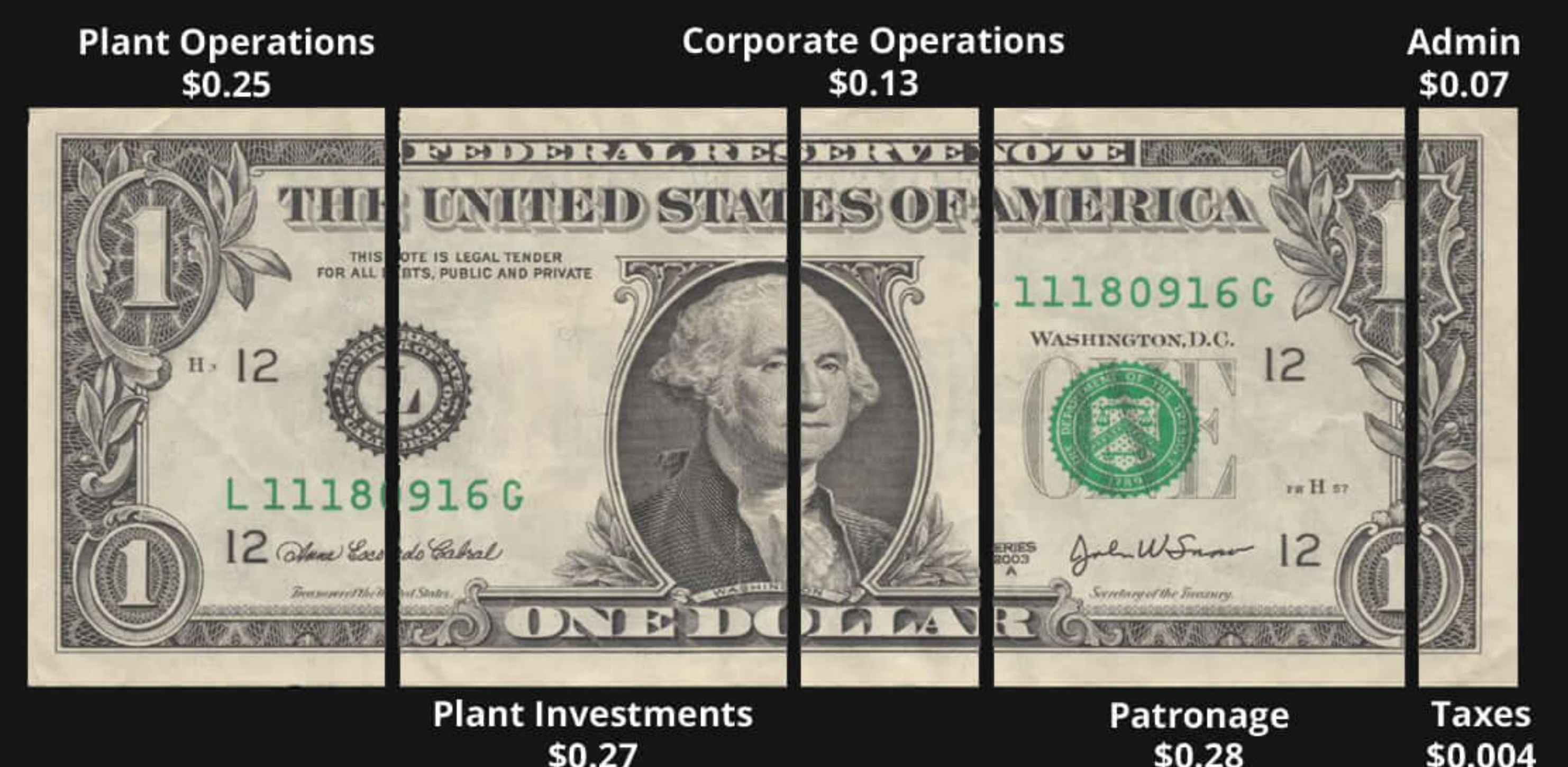


As of December 31, 2020

BALANCE SHEET

What we own (Assets)		
Current Assets		
Cash in Bank - General Funds	1,984,629	
Temporary Investments	1,096,397	
Due from Customers & Others	1,385,993	
Material & Supplies	1,143,475	
Other Prepaid Assets	<u>2,214,023</u>	
		7,824,517
Noncurrent Assets		
Investments	14,198,974	
Long Term Cash Investments	455,050	
Notes Receivable	1,250,000	
Long Term Prepayments	544,417	
Deferred Charges	<u>—</u>	16,448,441
Property and Equipment		
Cost of Outside Plant	49,725,256	
Less Cost of Wear and Tear	<u>(25,649,294)</u>	
	24,075,962	
Plant Under Construction	<u>303,724</u>	24,379,686
Total Amount Owned (Assets)		<u>48,652,644</u>
What we owe (Liabilities)		
Current Liabilities		
Current Portion of Long-Term Debt		
Accounts Payable: Vendors & Taxes	166,327	
Unearned Revenues	39,017	
Accrued Income Taxes	18,415	
Other Current Liabilities	<u>32,933</u>	256,692
Noncurrent Liabilities		
Long Term Loan to CoBank	4,132,875	
Other Noncurrent Liabilities	<u>295,768</u>	4,428,643
		4,685,335
Total Amount Owed (Liabilities)		
Members' Ownership Equity		35,657,473
Retained Earnings		<u>8,309,836</u>
Total Amount Liabilities & Equity		<u>48,652,644</u>

WHERE YOUR \$ GOES



SUMMARY EXPLANATION OF PROPOSED BYLAW AMENDMENT

The Board of Directors is proposing the Cooperative Bylaws be amended. The proposed new version of the Bylaws, with all proposed amendments, is contained verbatim in this Annual Membership Meeting Notice.

In light of our recent shared pandemic experience and to keep pace with technological advances, the Board is proposing to add the option of holding future membership and director meetings in virtual, telephonic, or video format (e.g., Zoom, Telephonic Bridge, WebEx, etc.). The Illinois Statute governing not-for-profit corporations has been amended to permit Cooperatives to hold a meeting of the membership in a virtual manner, or by mail.

Last year, we did not hold an annual meeting, as our Bylaws only provided for in-person meetings and such gatherings were not safe during the pandemic. If we were to encounter a similar issue in the future, we could hold the meeting by telephone conference or Zoom, or could have the membership vote by mail or telephone. While the Board prefers to hold in-person meetings, we should have an alternative, when that is not possible. The proposed Bylaws still require mailing of the notice of the meeting to all members, as that is still required by the Illinois Statute.

The proposed amendment also authorizes the Directors to hold their Board meetings in a virtual manner and eliminates the requirement that directors be notified of director meetings by a mailed notice. The Board is already using electronic means to communicate and to send the notice of meetings.

Another proposed change is an update to clarify the definition of membership, to include persons not receiving landline telephone service over Cooperative "loop" facilities. Many of our members receive internet service only from the Cooperative or from MTC.

The Board is also proposing to lower the quorum requirement from 5% to 3%, to cover the possibility of fewer members being able to attend the meeting for some reason; to add a restriction that would make a former employee of the Cooperative ineligible to serve on the Board for 5 years after the last date of employment; and that the nepotism policy not result in the termination of someone who was already an employee, prior to the disqualifying event.

Other changes include the use of gender-neutral terminology.

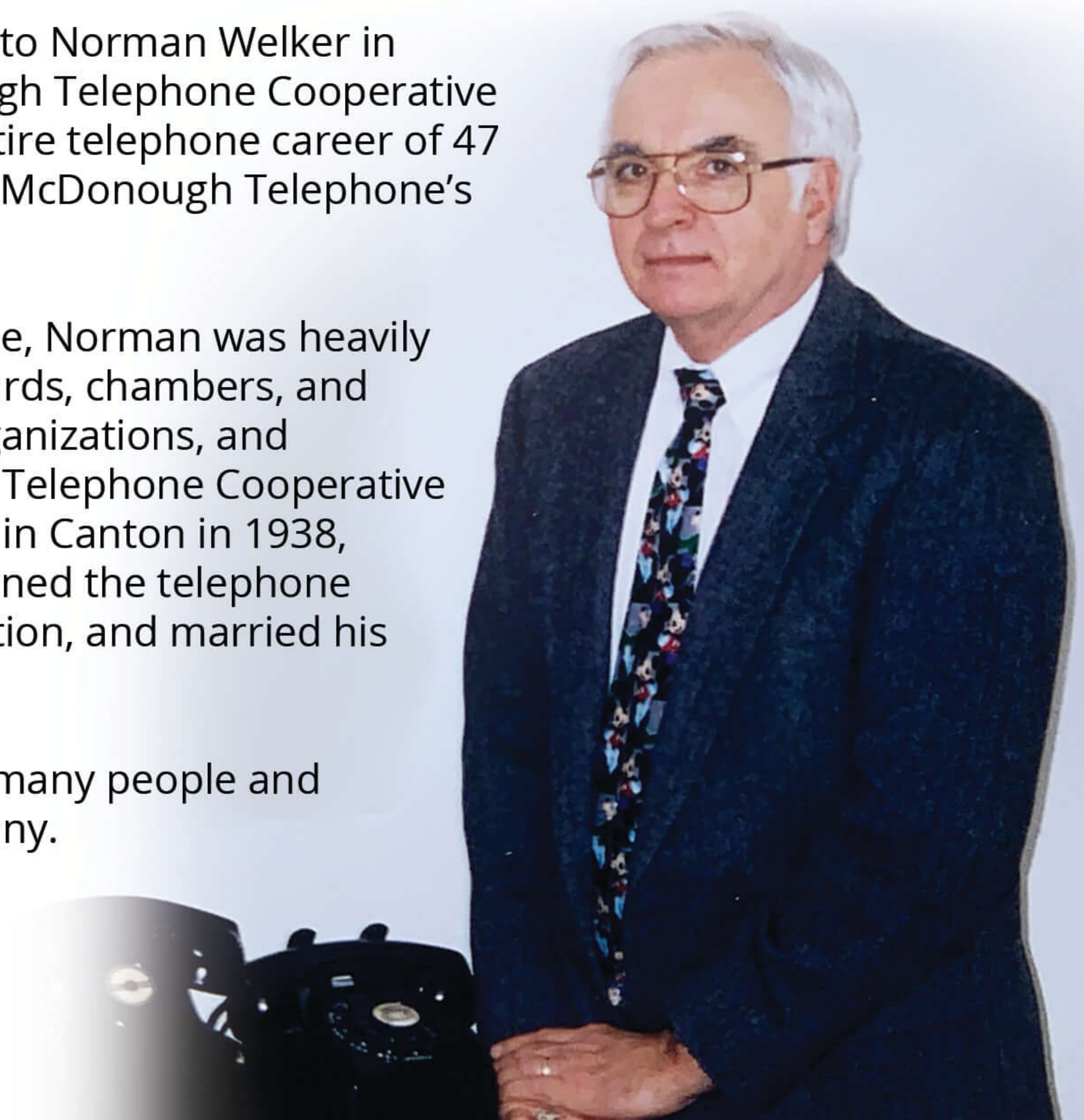
REMEMBERING NORMAN

Farewell But Not Forgotten

It was with great sadness that we said goodbye to Norman Welker in March of 2021. Norman was hired by McDonough Telephone Cooperative on June 16th, 1959. He went on to spend his entire telephone career of 47 years working for MTC, and the last 21 years as McDonough Telephone's general manager and president.

Besides his dedication to McDonough Telephone, Norman was heavily involved in our local community, serving on boards, chambers, and administrations for many different councils, organizations, and societies. He was also President of the National Telephone Cooperative Association from 2004-2005. Norman was born in Canton in 1938, served in the United States Army, where he learned the telephone trade and received three letters of accommodation, and married his wife Virginia in 1959.

Thank you, Norman, for your dedication to the many people and communities you served. You are missed by many.



BYLAW AMENDMENT

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BYLAW AMENDMENT

ARTICLE I

MEMBERSHIP

SECTION 1. Requirements for Membership. Any individual or entity with the capacity to enter into legally binding contracts (“entity”) shall become a Member upon the execution of a Membership application in the form prescribed by the Board of Directors and the receipt of retail Broadband or Communications services from the Cooperative or a subsidiary of the Cooperative, ~~over Cooperative loop facilities~~ at a premises within the Cooperative’s established incumbent local exchange carrier service area.

- (1) By acceptance or use of any such services provided by the Cooperative, each Member consents and agrees:
 - a. As an end user of such services, to purchase Broadband or Communications services from the Cooperative in accordance with the rates, terms and conditions specified by the Cooperative;
 - b. To comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules, regulations and policies adopted by the Board; and
 - c. To pay such membership, connection, reconnection, security, facilities extension and construction fees and deposits as may be established or required by any rule, regulation or policy adopted by the Board.

(2) Purchasers of the Cooperative’s services at wholesale, or otherwise for resale, shall not be eligible for membership or patronage credits with respect to such wholesale services.

(3) Membership shall become effective upon the date of commencement of service.

Membership eligibility terminates upon disconnection of service; however, the Board may provide for suspension of service during periods of temporary absence of a Member.

(4) No Member may hold more than one membership in the Cooperative and no Member shall be entitled to more than one vote. No membership in the Cooperative shall be transferable, other than as provided by these bylaws. No membership certificates will be issued and the Cooperative shall maintain a record of the names of the Members of the Cooperative.

SECTION 2. Joint Memberships. Only legally married spouses may apply for a joint membership. The term “Member” as used in these Bylaws shall be deemed to include spouses holding a joint membership and any provisions relating to the rights and liabilities

of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or with respect to the holders of a joint membership shall be as follows:

- a. The presence at a meeting of either or both shall be regarded as the presence of one (1) Member and shall have the effect of revoking a proxy executed by either or both and of constituting a joint waiver of notice of the meeting;
- b. The vote of either separately or both jointly shall constitute one (1) vote;
- c. A proxy executed by either or both shall constitute one (1) proxy;
- d. If both spouses are in disagreement as to a vote, each shall have a one half vote only;
- e. A waiver of notice signed by either or both shall constitute a joint waiver;
- f. Notice to either shall constitute notice to both;
- g. Either, but not both, may be elected to the Board of Directors, subject to qualification for such office;
- h. Upon the death of either spouse, such membership shall continue to be held solely by the survivor; and
- i. Upon the legal separation or dissolution of the marriage of the holders of a joint membership, such membership shall continue to be held solely by the spouse who continues to occupy or use the premises covered by such membership.

SECTION 3. Termination of Membership. A Member’s membership will automatically terminate upon (1) the disconnection of such Member’s broadband or communications services, (2) as a result of the Member’s death, (3) the Member’s request for termination, (4) the Member’s failure to make payment for service or (5) the Member’s failure to abide by the provisions of these Bylaws or the policies, rules and regulations adopted by the Board. Termination of membership in any manner shall not release a Member or the estate of such Member from any debts due to the Cooperative.

ARTICLE II

RIGHTS AND LIABILITIES OF THE COOPERATIVE AND THE MEMBERS

SECTION 1. Service Obligations. The Cooperative will use reasonable diligence to furnish adequate and dependable services, but it cannot and does not guarantee uninterrupted services, nor will it always be able to provide every service desired by each individual Member.

SECTION 2. 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 broadband or communications lines, overhead or underground, including all conduit, cables, wires, fiber optics, surface testing terminals, markers or 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 broadband or communications services to the Member or any other Member. When requested by the Cooperative, the Member agrees to execute and deliver to the Cooperative such grants of easements and rights-of-way on, over, under and across all lands owned, leased or otherwise controlled by the Member, with such reasonable terms and conditions as are agreed upon by the Cooperative and the Member, including the location and relocation of Cooperative facilities to accommodate Member’s use of Member’s land and the payment of adequate consideration for the easement.

SECTION 3. 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 4. Property Interest of Members. Upon dissolution, after: (1) All debts and liabilities of the Cooperative have been paid and (2) All capital furnished through patronage has been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the Members and former Members in the proportion which the aggregate unretired patronage of each Member and former Member bears to the total unretired patronage of all such Members and such former Members on the date of dissolution. For purposes of this Section, unretired patronage shall mean the capital account of each Member or former Member as of the date on which the Members vote to approve the dissolution of the Cooperative.

SECTION 5. Member Agreement. The Members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between both the Cooperative and each Member and further, among all the Members themselves individually. Both the

Cooperative and the Members are bound by such contract, as fully as though each Member had individually signed a separate instrument containing such terms and provisions with the Cooperative and each of its Members.

ARTICLE III

MEETINGS OF MEMBERS

SECTION 1. Annual Meeting. The Annual Meeting of the Members shall be held once each calendar year at such time and at such place ~~within a county served by the Cooperative~~, as selected by the Board. If so determined by the Board, the meeting may be held virtually and without a specified location. Any meeting held virtually, by any electronic means, shall be conducted in a manner that allows the members to all hear the information presented at the meeting, as well as communications from other member and allows all members to communicate with all other meeting participants, and which shall be designated in the Notice of the Meeting, for the purpose of electing board Members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to determine how the annual meeting of the members is to be conducted and to make adequate plans and preparations for the Annual Meeting. Failure to hold an Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. Special Meetings. Special Meetings of the Members may be called by Resolution of the Board, or upon a written request signed by any three (3) board Members or the Chairperson, or by not less than 200 Members or by ten percent (10%) of all the Members, whichever shall be the lesser, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special Meetings of the Members may be held in the same manner as annual meetings of the members and the Board shall determine how the special meeting is to be conducted. ~~at any place within one of the counties served by the Cooperative as designated by the Board and shall be specified in the Notice of the Special Meeting.~~

SECTION 3. Notice of Members' Meetings. Written or printed notice stating the date, time, and place place, day and hour of the meeting, or if the meeting is to be held virtually, the date, time, and manner of electronic communication to be used to conduct the meeting and, in the 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 seven (7) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty of 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 in the records of the Cooperative, with postage thereon prepaid. In the case of a joint membership, notice given to either joint member shall be deemed notice to both. The failure of any Member to receive notice of an annual or special meeting shall not invalidate any action that ~~which~~ may be taken by the Members at such meeting. In the 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 stated in the notice.

SECTION 4. Quorum. At least three percent (3%) of the Members present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the Members. If less than a quorum is present at any meeting, a majority of those present in person or represented by proxy may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a finding of the number of Members present at the meeting.

SECTION 5. Voting. Each Member shall be entitled to only one vote upon each matter submitted to a vote of the Members. All questions shall be decided by a vote of the majority of the Members voting thereon ~~in person or by proxy~~, except as otherwise provided by law, the articles of incorporation or these Bylaws. For election of directors, each Member shall have one vote per director to be elected, but voting shall not be cumulative. The candidate for director in each district who receives the highest number of votes shall win. In case of a tie the winner shall be determined by lot. The Board shall have the discretion to determine the manner of voting to be used at a member meeting, including the option of restricting the voting to in person voting only, including the option of voting by proxy, as provided for in these bylaws, the option of voting electronically, the option of voting telephonically, the option of voting by mail and the option of voting by multiple means. The Board shall have the responsibility of implementing such procedures as are necessary to assure that the voting is limited to members only and that each member is allowed to cast only one ballot.

SECTION 6. Proxy Voting. At all meetings of Members held in person, with in person voting only a Member may vote by proxy by executing such proxy in writing and giving such proxy only to another Member who attends the meeting in person. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be voted at any meeting of the Members, unless it shall designate the name of the Member to whom the proxy is given and designates 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. No Member shall vote as proxy for more than two (2)

Members at any meeting of the Members and no proxy shall be valid after 60 days from the date of its execution. The presence of a Member at a meeting of the Members shall revoke a proxy 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 such Member had not executed a proxy. In case of a joint membership, a proxy may be executed by either one of the joint Members. The presence of either joint Member at a meeting of the Members shall revoke any proxy executed by either of them and such joint Member or Members shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed.

If the Board determines that members may vote in any manner other than in person, no proxy voting will be allowed and each member must cast their own ballot.

SECTION 7. Credentials and Election Committee. The Chairperson or the person acting as the Chair of the meeting of the Members shall, at or prior to the meeting of the Members, but prior to any voting on the election of Directors at the meeting of the Members, appoint a Credentials and Election Committee, consisting of not less than three Cooperative Members who are not existing Cooperative employees, agents, officers, directors, candidates for director or close relatives of candidates for Director. It shall be the responsibility of the Committee to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballot or other vote irregularity, to rule upon all other questions that may arise relating to Member voting and the election of directors and to pass upon any protest or objection filed with respect to any election or conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative.

SECTION 8. Order of Business. The order of business at the Annual Meeting of the Members and, so far as possible at all other meetings of the Members, shall be essentially as follows, except as otherwise determined by the Members at such meeting:

1. Determination ~~Report on the number of Members present in person or by proxy, in order to determine the existence of a quorum.~~
2. Reading of the notice of the meeting and proof of the mailing thereof, ~~or the waiver of reading the notice of the meeting, as the case may be.~~
3. Approval of unapproved minutes of previous meetings of the Members and the taking of necessary action thereon. The All unapproved minutes of previous meetings may be contained in the notice of the meeting and, if so included, verbatim, in the notice, will not need to be read prior to action thereon. ~~shall be read, unless each Member present at the~~

~~meeting at which minutes are presented for approval shall have been furnished a copy of such unapproved minutes, in which case, the President or Secretary may entertain, and take appropriate action upon, a motion from the floor to dispense with the reading of such minutes as are contained in the copies furnished to the Members present.~~

- ~~4. Presentation and consideration of reports of officers, directors, and committees.~~
5. Election of Directors.
6. Unfinished Business
7. New Business
8. Adjournment.

Section 9. Rules of Order. Parliamentary procedure at all meetings of the Members shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's certificate of incorporation or Bylaws.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 1. General Powers. The business and affairs of the Cooperative shall be managed by a Board of eight Members, which shall exercise all of the powers of the Cooperative, except such as are by law, the articles of incorporation, or these bylaws conferred upon or reserved to the Members.

SECTION 2. District Representation. For the purpose of representation on the Board of Directors, the area served by the Cooperative is divided into seven districts as follows:

District Number 1 - shall consist of that territory historically known as the Adair and the Bardolph telephone exchange areas.

District Number 2 - shall consist of that territory historically known as the Smithshire, Swan Creek and Raritan telephone exchange areas.

District Number 3 - shall consist of that territory historically known as the Industry and Littleton telephone exchange areas.

District Number 4 - shall consist of that territory historically known as the Good Hope telephone exchange areas.

District Number 5 - shall consist of that territory historically known as the Colchester telephone exchange areas.

District Number 6 - shall consist of that territory historically known as the Blandinsville telephone exchange areas.

District Number 7 - shall consist of that territory historically known as the Colusa and Lomax telephone exchange areas.

SECTION 3. Election and Tenure of Office. At the Annual Meeting of Members in the year 2015 and at the Annual Meeting of Members every three years thereafter, one

Director shall be elected by ballot in each of districts 1 and 2, each to serve for a term of three years. At the Annual Meeting of Members in the year 2016 and at the Annual Meeting of Members every three years thereafter, one Director shall be elected by ballot in each of Districts 3, 4, and 5. At the Annual Meeting of Members in the year 2017 and at the Annual Meeting of Members every three years thereafter, one Director shall be elected by ballot in each of districts 5, 6 and 7. All Directors shall hold office until their successors shall have been elected and shall have qualified, subject to the provisions of these bylaws with respect to removal of Directors. If an election shall not be held on the day scheduled for the Annual Meeting or any adjournment thereof, a special meeting of the Members may be held for the purpose of electing Directors within a reasonable time thereafter. Directors may be elected by a plurality vote of the Members.

SECTION 4. Qualifications. No person shall be eligible to become or remain a board Member of the Cooperative who:

- (a) is not a human Member of the Cooperative;
- (b) does not reside in a premises within the Cooperative's established incumbent local exchange carrier service area and in the District the Member is elected to represent; or
- (c) is in any way employed by or financially interested in a competing enterprise or a business engaged in selling Broadband or Communications services.
- (d) has been employed by the Cooperative at any time during the five (5) years preceding the date of the annual meeting at which Directors are elected.

Upon establishment of the fact that a nominee for Director lacks eligibility under this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the Chairperson presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. Upon establishment of the fact that any person being considered for, or already holding, a position of trust in the Cooperative lacks eligibility under this section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause him to be removed therefrom, whichever may be the case. Upon the establishment of the fact that a director is holding office in violation of this Section, it shall be the duty of the remaining directors on the Board to remove such director from office.

Nothing contained in this Section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors, unless such action is taken with respect to a matter that is affected by the provisions of this section and in which one or more of the Directors have an interest adverse to that of the Cooperative.

SECTION 5. Nominations. It shall be the duty

of the Board to appoint, not less than forty (40) days nor more than one hundred twenty (120) days before the date of a meeting of the Members at which Board Members are to be elected, a committee on nominations consisting of at least two (2) members from each District in which a Director is to be elected. ~~not less than four (4) nor more than nine (9) Members who shall be selected from the Districts in which the incumbent Director's term has expired or in which there is a vacancy.~~ No Member of the Board may serve on such committee. The committee shall prepare and post at the principal office of the Cooperative, at least thirty (30) days before the meeting of the Members, a list of nominees for the Board of Directors, which shall include one or more candidates for each Board position to be filled by the election. The Secretary shall be responsible for mailing with the notice of the meeting a statement of the number of board Members to be elected and the names and addresses of the candidates nominated by the committee on nominations.

Any 15 or more Members may make other nominations by petition and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. Nominations made by petition, in order to be valid, must be received at the principal office of the Cooperative at least 30 days before the meeting of the Members. Any nomination by petition that meets the requirements of the Bylaws shall be set forth in the Annual Meeting Notice as nominations made by petition and such nominations shall appear on the official ballot.

SECTION 6. Removal of Board Member by Members. Any Member may bring one or more charges against any Board Member and may request the removal of such Board Member by reason thereof by filing with the Secretary such charges in writing, together with a petition signed by not less than ten percent (10%) of the then total Members of the Cooperative. The petition shall call for a Special Meeting of the Members, the stated purpose of which shall be to hear and act upon such charges and, if a Board Member is recalled, to elect a successor. The petition shall specify the place, time and date of the Special Meeting, which shall be not sooner than sixty (60) days after the filing of such petition, or the petition shall specify that the matter be acted upon at the next annual meeting of the Members, if such meeting will be held no sooner than sixty (60) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name and address of the Member of Members filing such charges, a verbatim statement of such charges and the name of the Board Member against whom such charges are being made. The petition shall be signed by each Member in the same name as he is billed by the Cooperative and shall state the signatory's address as the same appears on such billings.

The charges, verbatim, together with the name of the Board Member or Board

Members against whom the charges have been made, the name of the Member or Members filing the charges and the purpose of the meeting shall be contained in the notice of the meeting and the notice of the meeting shall be mailed to the Members not less than seven (7) days prior to the meeting of the Members at which the matter will be acted upon. All Board Members against whom the charges are directed shall be informed in writing of the charges, after they have been validly filed and such Board Members shall be so informed at least thirty (30) days prior to the meeting of the Members at which charges are to be considered. All Board Members against whom the charges are filed shall have an opportunity at the meeting of the Members to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charges. The Members bringing the charges shall have the same opportunity and such Members must be heard first.

The question of the removal of such Board Members shall, separately for each if more than one has been charged, be considered and voted upon at such meeting. The affirmative vote of two-thirds of the votes present and voted, either in person or by proxy, shall be required in order to remove any Member of the Board of Directors from office. Any vacancy created by such removal shall be filled by note of the Members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor. Any newly elected Board Member shall meet the qualifications listed in Article IV, Section 4 of these Bylaws. Each newly elected Board Member shall be from the same district as was the Board Member removed from office and shall serve the unexpired portion of the removed Board Member's term.

SECTION 7. 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 on the Board may be filled by the affirmative vote of a majority of the remaining Board Members for the unexpired portion of the term. In the event the vacancy is not filled by the Board prior to the appointment of the nominating committee, the Members shall have the right to nominate and elect a Director to fill such vacancy, at the next meeting of the Members.

SECTION 8. Compensation. Board Members shall not receive any salary for their services as such, except that the Members of the Board may, by resolution, authorize 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. If authorized by the Board, Board Members may also be reimbursed for expenses actually and necessarily incurred in carrying

out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expense. No Board Members shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a Board Member 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 Board Member or his close relative shall have been certified by the Board as an emergency measure. For the purpose of this section, close relative includes grandparents, parents, husband, wife, children, grandchildren, brothers, sisters, uncles, aunts, nephews and nieces, by blood, by marriage or by adoption and spouses of any of the foregoing. In the event an employee of the Cooperative becomes a close relative of a Board member, as a result of a marriage or Board member election subsequent to the employee's date of employment, this prohibition shall not apply.

SECTION 9. Policies, Rules and Regulations. The Board of Directors shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the Articles of Incorporation of the Cooperative or these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 10. Audit and Report. The Board of Directors shall, after the close of each fiscal year, cause to be made a full audit of the financial condition of the Cooperative as of the end of such fiscal year. A condensed report of such audit shall be submitted to the Members at the following annual meeting.

ARTICLE V

MEETINGS OF DIRECTORS

SECTION 1. Meetings. Regular meetings of the Board of Directors shall be held monthly at such time and place as the Board of Directors may designate and may be held without notice other than action by the Board fixing the time and place of the regular monthly meetings. Meetings of the Board of Directors may be held in person, at a date, time and place designated by the Chairperson or may be held virtually, at a date and time designated by the Chairperson, by any electronic means that allows all Board members to hear all other Board members and to communicate with all other Board members.

SECTION 2. Special Meetings. Special Meetings of the Board of Directors may be called by the Chairperson or any three Directors. The person or persons authorized to call Special Meetings of the Board of Directors may fix date, time, and format for the holding of any Special Meeting of the Board of Directors called by them.

SECTION 3. Notice. Notice of the time, format, and purpose of any Special Meeting

of the Board of Directors shall be given at least forty-eight (48) hours ~~five (5) days~~ previous thereto, by written notice, delivered personally, ~~mailed to each Director at his last known address, by mail, by facsimile, email, or any other electronic means approved by the Board, to each Director, at their last known address.~~ ~~to the email address maintained by each Director for the purpose of conducting Cooperative Board business.~~ If the notice is sent by email, such notice shall be deemed to be delivered at the time the email is delivered successfully. If mailed, such notice shall be deemed to be delivered three (3) days after deposited ~~when deposited~~ in the United States mail so addressed, with postage thereon prepaid. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except in case a Director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 4. Quorum. A majority of the Board of Director shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided that if less than a majority of the Directors are present at a meeting, a majority of the Directors present may adjourn and reschedule the meeting, with notice of the date and time of the rescheduled meeting given by email to all Directors not less than 48 hour prior to the time of the rescheduled meeting.

SECTION 5. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 6. Action by Unanimous Written Consent. Any action required or permitted to be taken by the Board of Directors at a meeting of the Board may be taken without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by all the Directors then holding office. The written consent may be made by counterpart signatures on separate documents and such signatures may be reproduced or photocopied signatures. All the approvals evidencing the consent shall be delivered, faxed or emailed to the Secretary to be filed in the corporate records. The action shall be effective when all the Directors have approved the consent, unless the consent specifies a different effective date. Any such written consent signed by all the Directors shall have the same effect as a unanimous vote.

ARTICLE VI

OFFICERS

SECTION 1. Officers. The officers of the Cooperative shall be: Chairperson of the Board, Vice Chairperson, Secretary and Treasurer and such additional officers as may be determined by the Board of Directors from time to time.

SECTION 2. Election and Term of Office.

The Chairperson of the Board, Vice Chairperson, Secretary and Treasurer shall be elected, by ballot, annually, by and from the Board of Directors at the first meeting of the Board of Directors held after each Annual Meeting of the Members. Each such officer will hold office until the first meeting of the Board following the next succeeding Annual Meeting of the Members or until a successor has been elected and has qualified. Any vacancy in any office may be filled by the Board for the unexpired portion of the term.

SECTION 3. Chairperson of the Board. The Chairperson of the Board shall preside at all meetings of the Members and of the Board of Directors. The Chairperson of the Board may sign deeds, mortgages, 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 are delegated by the Board of Directors or these bylaws to the President or to some other officer or agent of the Cooperative.

SECTION 4. Vice Chairperson. In the absence of the Chairperson of the Board, or in case of the Chairperson's inability to act, the Vice Chairperson will preside at meetings of the Members and the Board of Directors and, when so acting, will have all the powers of the Chairperson of the Board.

SECTION 5. Secretary. The Secretary will be responsible for:

- (a) keeping the minutes of meetings, personally or by delegation, of the Members and the Board of Directors and for confirming that the minutes of such meetings are maintained in one of more books kept for that purpose at the main office of the Cooperative;
- (b) confirming that all notices are duly given according to these bylaws or as required by law;
- (c) the safekeeping of the corporate books and records;
- (d) confirming that the Cooperative keeps a register of the name and post office address of each Member, as provided to the Cooperative office by such Member.
- (e) confirm that the Cooperative keeps on file a complete copy of the Bylaws of the Cooperative, containing all amendments thereto, which copy will be open to the inspection of any Member; and
- (f) in general, performing all duties incident to the office of Secretary and such other duties as from time to time determined by the Board.

SECTION 6. Treasurer. The Treasurer will be responsible for:

- (a) confirming that all funds and securities of the Cooperative are safely maintained at the Cooperative office or under the direct control of authorized Cooperative personnel at such financial institutions approved by the Board of Directors;

- (b) confirming that Cooperative personnel maintain a complete record of all monies received by or due to the Cooperative and all monies due from or paid out by the Cooperative; and
- (c) the general performance of all duties incident to the office of Treasurer and such other duties as from time to time determined by the Board.

SECTION 7. President. The President will be the chief executive officer of the Cooperative and will be responsible for conducting the day-to-day business of the Cooperative. The President will perform all duties incident to the office of President and such other duties determined by the Board of Directors. The President shall be selected by the Board of Directors by formal Board action and shall serve at the will of the Board of Directors.

SECTION 8. Removal. 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 interest of the Cooperative will be served thereby.

SECTION 9. Compensation. No Officer who is also a Member of the Board of Directors shall be entitled to any compensation other than that provided for a Member of the Board of Directors. The compensation of any other officers shall be fixed by the Board of Directors.

SECTION 10. 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 years.

SECTION 11. Bonds of Officers. The President, Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of its funds or property shall be bonded in such sums and with such surety as the Board shall determine. The Board, in its discretion, may also require any other officer, agent, or employee of the Cooperative to be bonded in such amounts and with such surety as it shall determine.

ARTICLE VII

CONTRACTS, CHECKS AND DEPOSITS

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 instruments in the name and on behalf of the Cooperative and such authority may be general or confined to special 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.

ARTICLE VIII

FISCAL YEAR

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

ARTICLE IX

INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES & AGENTS

SECTION 1. The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by, or in the right of, the Cooperative) by reason of the fact that such person is or was a director, officer, employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interest of the Cooperative, and, with respect to any criminal action or proceeding by judgement, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, on itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, and reasonable cause to believe that the conduct of such person was unlawful.

SECTION 2. The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party to, any threatened, pending or completed action or suit by, or in the right of, the Cooperative to procure a judgement in its favor by reason of the fact that such person is, or was, a director, officer, employee or agent of the Cooperative, or is, or was, serving at the request of the Cooperative as a director, officer, employee or agent of another Cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including

attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Cooperative, and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjusted to be liable for negligence or misconduct in the performance of the duty of such person to the Cooperative, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity of such expenses as the court shall deem proper.

SECTION 3. To the extent that a director, officer, employee or agent of the Cooperative has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Section (1) and (2), in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

SECTION 4. Any indemnification under Sections (1) and (2) (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case, upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Sections (1) and (2). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceedings, or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (3) by the Members.

ARTICLE X

NON-PROFIT OPERATION

SECTION 1. Capital Credits. The Cooperative shall allocate and pay Capital Credits as provided in this Article.

SECTION 2. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its Members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its Members.

SECTION 3. Patronage Capital in Connection with Furnishing Broadband and Communications Services.

(1) Accounting for Capital. In the furnishing of Broadband and Communications services, the Cooperative's operations shall be so conducted that all Members

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

(2) Allocation of Capital Credits. The Cooperative is obligated to pay by credits to a capital account for each Member all such amounts in excess of operating costs and expenses derived from Broadband and Communications services. The books and records of the Cooperative shall be set up and kept in such manner that at the end of each fiscal year the amount of capital, if any, so furnished by the Member for Broadband and Communications services is clearly reflected and credited in an appropriate record to the capital account of each Member. For patronage and capital credit account purposes, the term "all amounts received and receivable from the furnishing of Broadband and Communications services" shall include all amounts billed to and paid by the Member to the Cooperative for Broadband and Communications services, whether such services are provided to the Member directly by the Cooperative or indirectly from a wholly-owned subsidiary of the Cooperative. The Cooperative shall, within a reasonable time after the close of the fiscal year, notify each Member of the amount of capital so credited to the Member's account. All such amounts credited to the capital account of any Member shall have the same status as though it had been paid to the Member in cash in pursuance of a legal obligation to do so and the Member had then furnished the Cooperative corresponding amounts for capital. Any operating losses of the Cooperative shall be offset by subsequent year's margins prior to allocation.

(3) Allocating Non-Operating Margins. All nonoperating margins, except those derived from furnishing goods and services other than Broadband and Communications services, shall, in so far as permitted by law, be used to offset any losses during the current or any prior fiscal year and, to the extent not needed for that purpose, either:

- Allocated to its Members 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 Members in an equitable manner as approved by

- the Board, or
 - Used to establish and maintain a non-operating margin reserve not assignable to Members prior to dissolution of the Cooperative.
- (4) Payments by Board Discretion. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to Members' accounts may be retired in full or in part. All allocations and retirements of capital shall be at the discretion and direction of the Board as to kind, timing, method and type of assignment and distribution; and whether such retirements are subject to general discounts.
- (5) Payments Upon Dissolution. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of Members.
- (6) Capital Assignment. Capital credited to the account of each Member shall be assignable only on the books of the Cooperative, pursuant to written instruction from the assignor and only to successors in interest, unless the Board, acting under policies of general application, shall authorize other types of assignments. Members at any time may assign their capital credits back to the Cooperative.
- (7) Payment Upon Death. Notwithstanding any other provision of these Bylaws, the Board, at its discretion, shall have the power at any time upon the death of any natural Member, if the legal representative of the deceased Member's estate shall request in writing, that the capital credited to any such deceased Member be retired prior to the time such capital would be retired in a general retirement under provisions of these Bylaws, to retire capital credited to any such Member immediately upon such terms and conditions, including discounts, as the Board, acting under policies of general application, and the legal representative of such deceased Member's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.
- (8) Debt Offset. The Cooperative shall have a continuing lien against and a security interest in the patronage capital allocated and credited to a Member, perfected by possession, and, regardless of any statute of limitations, other time limitation, or bankruptcy, the Cooperative may recoup, offset or set-off any amount owed to the Cooperative by a Member at the time of payment of capital credits to the patron, Member or any legal representative or trustee of the Member. Such security interest and right of offset shall not, under any circumstances, accelerate the time of payment of any part of a Member's capital credit

account to the Member, any legal representative or bankruptcy trustee.

SECTION 4. Patronage Capital in Connection With Furnishing Other Services. In the event that the Cooperative should engage in the business of furnishing goods and services other than Broadband and Communications services, all amounts received and receivable therefrom that are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, in so far as permitted by law, be prorated annually on a patronage basis and allocated to those Members from whom such amounts were obtained, to be returned to the Members at such time and in such order of priority as the Board may determine. Any margins received by the Cooperative from subsidiaries or affiliates may be allocated or determined within the discretion of the Board of Directors as patronage credit or as permanent equity of the Cooperative.

ARTICLE XI

DISPOSITION OF PROPERTY

SECTION 1. Sale, Lease, or Exchange of Assets, Other than in Usual and Regular Conduct of Cooperative Business. A sale, lease, exchange or other disposition of all, or substantially all, the property and assets, with or without the goodwill, of the Cooperative, if not made in the usual and regular course of the conduct of the business of the Cooperative, may be made upon such terms and conditions and for such considerations, which may consist, in whole or in part, of money or property, real or personal, including shares of any other corporation, domestic or foreign, as may be authorized in the following manner:

- (a) The Board of Directors shall adopt a resolution recommending such sale, lease, exchange or other disposition and directing the submission thereof to a vote at a meeting of Members, which may be either an annual or a special meeting.
- (b) Written notice stating that the purpose, or one of the purposes, of such meeting is to consider the sale, lease, exchange or other disposition of all, or substantially all, the property and assets of the Cooperative, shall be given to each Member not less than thirty (30) nor more than sixty (60) days before the date of the meeting. If such meeting be an Annual Meeting, such purpose may be included in the Notice of such Annual Meeting.
- (c) At such meeting, the Members may authorize such sale, lease, exchange or other disposition and fix, or may authorize the Board of Directors to fix, any or all of the terms and conditions thereof and the consideration to be received by the Cooperative thereof. Such authorization shall require the affirmative vote of two-thirds (2/3) of the votes present and voted, either in person or by proxy.

- (d) After such authorization by a vote of Members, the Board of Directors nevertheless, in its discretion, may abandon such sale, lease, exchange or other disposition of assets.

SECTION 2. Merger or Consolidation. Merger or consolidation of the Cooperative with any other Cooperative or corporation shall be governed by Section 111 of the "General Not-For Profit Corporation Act of 1986", as amended.

ARTICLE XII

MISCELLANEOUS

SECTION 1. Other Ventures and Organizations. The Cooperative may, upon authorization of the Board of Directors, become a Member or partner of, or purchase stock and other equity interests in, or lend money to, any other business entity or organization when, in the judgment of the Board of Directors, such membership, investment or loan will foster and further the purposes of the Cooperative and benefit its Members and other rural residents.

SECTION 2. Notice. Any notice required to be given or delivered to a Member or former Member of the Cooperative may be given either personally, by mail, by email, or any other electronic means approved by the Board. If the notice is sent by email, such notice shall be deemed to be delivered at the time the email is delivered successfully. If mailed, such notice shall be deemed to be delivered when deposited in a United States post office addressed to the Member at the address of the Member as it appears on the records of the Cooperative, with postage thereon prepaid. It shall be the duty of each Member to promptly notify the Cooperative of any change in mailing address and any required address correction.

SECTION 3. Insurance. The Board of Directors shall have the power to purchase and maintain insurance on behalf of any person who is a present or retired officer, employee, director or agent of the Cooperative the Board of Director shall have the power to maintain any liability insurance necessary for the protection of the Cooperative or any person who is serving at the request of the Cooperative as a director, officer, employee, or agent of another Corporation against any liability asserted against such person and incurred by such person in any such capacity or arising out of such status.

ARTICLE XIII

AMENDMENTS

SECTION 1. Amendment of Articles of Incorporation. The Articles of Incorporation of the Cooperative may be amended from time to time in the following manner:

- (a) The Board of Directors shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the Members, which may be either a regular annual meeting or a special meeting.
- (b) Written or printed notice setting forth the proposed amendment shall be given to each Member within the time and in the manner provided in these Bylaws for the giving of notice of meetings of the Members. If such meeting is a regular annual meeting, the proposed amendment may be included in the notice of the meeting.
- (c) At such meeting, a vote of the Members shall be taken on the proposed amendment and the proposed amendment shall be adopted upon receiving the affirmative vote of at least two thirds of those Members present in person or represented by proxy at such meeting.
- (d) After the adoption of the proposed amendment or amendments, the Board of Director shall authorize the proper officers to take such further steps as may be required by law to effectuate the proposed amendment or amendments to the Articles of Incorporation.

SECTION 2. Amendments of Bylaws. These Bylaws may be amended by a vote of the majority of the Members present or represented by proxy at any regular or special meeting, provided that ARTICLE XI DISPOSITION OF PROPERTY, may be altered, amended or repealed only by the affirmative vote of not less than two thirds of the Members present or represented by proxy at any regular or special meeting. The notice of such meeting shall contain a copy of all the proposed amendments to be considered at such meeting.



OFFICIAL MEETING NOTICE

Notice is hereby given that the Annual Meeting of the members of McDonough Telephone Cooperative, Inc. will be held at The Crossing, 1600 West Jackson Street, Macomb, Illinois on Wednesday, September 1, 2021 at 7:00 p.m. (CDST) to take action upon the following matters:

1. To receive the reports of officers, directors and committees.
2. For the election of five (5) directors to serve for a term of three (3) years or the remaining two (2) years for the directors whose elections were postponed from our cancelled 2020 meeting until their Successors are elected and qualified.
3. To take action on other business that may come before the meeting or any adjournment thereof.

Dated this 27th day of July, 2021

Rose Marie Lynn Rose Marie Lynn, Secretary

CERTIFICATION SPECIFYING NUMBER OF ACCEPTED MEMBERS RECEIVING SERVICE

I, Rose Marie Lynn, Secretary of McDonough Telephone Cooperative, Inc, do hereby certify:

1. All participants for membership prior to June 30, 2021 have been duly acted upon by the board of directors in accordance with the Cooperative bylaws.
2. The total number of members receiving service on June 30, 2021 was 2,724.

Witness whereof, I have hereunto set by hand and affixed the seal of the Cooperative this 30th day of June 2021.

Rose Marie Lynn Rose Marie Lynn, Secretary

NOMINATING COMMITTEE REPORT

Pursuant to the bylaws, the members of the Nominating Committee of the McDonough Telephone Cooperative met at the Chubby's Restaurant in Macomb, Illinois, on June 17, 2021 at 6:00 P.M. to nominate candidates for election as Directors of McDonough Telephone Cooperative, at the next Annual Meeting of Members, to be held at 7:00 P.M. on Wednesday, September 1, 2021.

The following members of the Committee were present: Blake Reynolds, J.B. Hunter, Jan Thompson, Bev Rings-Dorch, Gayle Harn, John B. Kane, Wanda J. Carson, Larry Thompson, Monica Wolf

The Committee proceeded to select the following nominees to be candidates for Director, to be elected at the Annual Meeting and to serve for the remaining two years of a three-year term, as determined in the Bylaws:

District No. 5, Colchester: Jason Vyhnanek District No. 6, Blandinsville: Mitchell Welsh District No. 7, Colusa/Lomax: Jay Morrison

The Committee also proceeded to select the following nominees to be candidates for Director, to be elected at the Annual Meeting and to serve for a three-year term, as determined in the Bylaws.

District No. 1, Adair/Bardolph: Rose Marie Lynn District No. 2, Smithshire/Swan Creek, & Raritan: Leroy Tappe

Gayle Harn Gayle Harn, Chairman

PROXY VOTING

NOTE: This proxy must be filed with the Secretary before the meeting begins. This proxy may be given only to another member of McDonough Telephone Cooperative. No person may hold more than two proxies at any one meeting. The presence of a member at a meeting shall revoke a proxy previously signed by them for that meeting.

The undersigned member of McDonough Telephone Cooperative, Inc. hereby designates and appoints

As my proxy to vote in my stead on all matters coming before the Members at the Annual Meeting of members to be held at The Crossing, 1600 West Jackson St., Macomb, Illinois on Wednesday, September 1, 2021 at 7:00 p.m. This proxy may be voted at no meeting other than the Annual Meeting designated herein or any adjournment of such Annual Meeting. This proxy shall expire sixty (60) days after the date of this execution.

Witness my hand and seal this ____ day of _____, 2021.

Witness _____

Signature of Member Giving Proxy

Registration Card

Please use this card or the annual meeting notice letter that you will receive in the mail in August as your registration and present it at the registration desk before the Annual Meeting. You must be registered and present at the Annual Meeting to be eligible for prizes. If you are unable to attend, please fill out the Proxy on the previous page and have another Member of the Cooperative submit the Proxy before the meeting.

NOT REQUIRED

If you're willing to note that you've been vaccinated for COVID-19, please check this box.



70 MCDONOUGH TELEPHONE COOPERATIVE BUILDING CONNECTIONS

ANNIVERSARY CELEBRATION

SAVE THE DATE

SEPT. 1, 2021

Registration at 5pm | Meeting at 7pm
The Crossing, 1600 W. Jackson St., Macomb, IL

Grand Prizes: Toshiba 43-in. 4K Ultra HD Smart LED HDR Fire TV, iRobot Vacuum, and an Echo Show

Bonus Prizes: Fire TV Sticks w/ Alexa Voice Remote

For those future members of the cooperative 18 years of age or younger, drawings for a 16 GB Fire 7 Kids Tablet and a Panda Echo Dot Kids + Echo Glow. To be eligible to register, a regular member must accompany future members.

Receive a \$10 credit on your October bill for attending! One credit will be issued per membership; member must be present and registered before 7:00 P.M. to be eligible for this credit and all prize drawings.



**All prizes are final.*