

**Charter
of the
Nominating and Corporate Governance Committee
of the
Board of Directors
of
Otelco Inc.**

1. **Purpose.** The purpose of the Nominating and Corporate Governance Committee (the “Committee”) of Otelco Inc. (the “Company”) is to assist the Board of Directors (the “Board”) in fulfilling its responsibilities with respect to Board and committee membership, shareholder proposals and corporate governance matters and practices. In furtherance of such purpose and as set forth below, the Committee shall: (a) identify individuals qualified to become members of the Board, consistent with criteria approved by the Board and select or recommend that the Board select the director nominees for each annual meeting of shareholders; (b) develop and recommend to the Board a set of corporate governance principles applicable to the Company; (c) oversee the evaluation of the board; and (d) take such other actions within the scope of this charter (this “Charter”) as the Committee deems necessary or appropriate.
2. **Membership.** The Committee will be comprised of three or more directors. All members of the Committee must, in the business judgment of the Board, meet the independence requirements of applicable law and the rules of the SEC and the NASDAQ Stock Market in effect from time to time (subject to any exceptions allowed by such rules and any waivers granted by such authorities).
3. **Appointment; Chairperson.** The members of the Committee will be appointed by and serve at the discretion of the Board. Except as provided in this Charter, Committee members will be appointed annually for a term of one year or until their successors have been duly appointed and qualified (if later). Unless the Board appoints a Chairperson of the Committee, the members of the Committee shall designate a Chairperson by majority vote.
4. **Specific Responsibilities and Duties.** The Board delegates to the Committee the express authority to perform the following functions in carrying out its purpose set forth in Section 1 above, to the fullest extent permitted by applicable law and the Company’s charter and bylaws, and to the extent consistent with the Company’s Nominating Committee Policy attached hereto as Annex A, as the same may be amended from time to time:
 - (a) **Board Composition.** Evaluate the size and composition of the Board, periodically review and reassess the Nominating Committee Policy and propose any changes deemed advisable to the Board and evaluate the independence of existing and prospective directors.

- (b) **Candidates and Nominees.** Actively seek and evaluate qualified individuals to become new directors as needed, review and, if appropriate, recommend to the Board, potential director nominees proposed by shareholders and select or recommend that the Board select the director nominees for the annual meeting of stockholders and individuals to fill vacancies that may occur from time to time on the Board. Notwithstanding the foregoing, if the Company is legally required by contract or otherwise to provide third parties with the ability to nominate and/or appoint directors, the nomination and selection of such directors is not subject to approval by the Committee or the Board.
- (c) **Current Directors.** Review the suitability of each Board member for continued service when his or her term expires and when he or she has a significant change in status.
- (d) **Committees.** Evaluate the nature, structure and operations (including the authority to delegate to subcommittees) of other Board committees. Make recommendations to the Board as to qualifications of members of the Board's committees, committee member appointment and removal, and committee reporting to the Board.
- (e) **Governance Guidelines.** Develop and recommend to the Board a set of corporate governance guidelines applicable to the Company. Monitor and reassess from time to time these corporate governance guidelines.
- (f) **Communication.** Except to the extent delegated to other Board committees, oversee and review the Company's process for providing information to the Board, assessing the channels through which information is received and the quality and timeliness of the information received. Oversee and review the Company's policy and process for shareholder communication with the Board.
- (g) **Oversight of Board, Management and Committee Evaluations.** Take such steps as the Committee deems necessary or appropriate with respect to oversight of the evaluation of the Board and each Board committee.
- (h) **Evaluation of Committee.** Annually evaluate the performance of the Committee.
- (i) **Review Charter.** Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. Publish this Charter as required by applicable law and the rules of the SEC and the NASDAQ Stock Market and as otherwise deemed advisable by the Committee.
- (j) **Report; Recommendations.** Regularly report to the Board and other Board committees, as applicable, with respect to nominating and corporate governance matters, policies and practices of the Company or any of the foregoing matters, and make appropriate recommendations to the Board.
- (k) **Orientation and Education.** Develop with management and monitor the process of orienting new directors and continuing education for existing directors.

- (l) **Other Actions.** Perform any other activities or functions and adopt other policies and procedures consistent with this Charter, the Company's bylaws and governing law as the Committee or the Board deems necessary or appropriate.
5. **Meetings.** The Committee will meet with such frequency, but not less frequently than annually, and at such times, as its Chairperson, or a majority of the Committee, determines to be necessary or appropriate to carry out its duties hereunder. Special meetings of the Committee may be called by the Chairperson and will be called promptly upon the requests of any two Committee members. The agenda of each meeting will be prepared by the Chairperson, in consultation with other Committee members, and circulated, if practicable, to each member of the Committee prior to the meeting date. Unless the Committee or the Board adopts other procedures, the provisions of the Company's by-laws applicable to meetings of Board committees (or if no such provisions exist, applicable to meetings of the Board) will govern meetings of the Committee.
- 5.1 **Minutes.** The Committee will keep minutes of each meeting.
- 5.2 **Subcommittees.** The Committee has the power to appoint subcommittees, but no such subcommittee will have any final decision-making authority on behalf of the Committee or the Board.
6. **Reliance; Experts; Cooperation.**
- 6.1 **Retention of Counsel and Advisors.** The Committee has the power, in its discretion, to retain at the Company's expense such independent counsel and other advisors and experts, as it deems necessary or appropriate to carry out its duties. Without limiting the foregoing, the Board delegates to the Committee the sole authority, in its discretion, (a) to decide whether to retain a search firm to assist the Committee in identifying, screening and attracting director candidates, (b) to terminate any such firm and (c) to approve the search firm's fees and other retention terms. The Company must provide for appropriate funding, as determined by the Committee, for the payment of compensation to any such persons employed by the Committee pursuant to this Section 8.1, and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
- 6.2 **Reliance Permitted.** In carrying out its duties, the Committee will act in reliance on management, the independent public accountants, internal auditors, internal and outside counsel and such other outside advisors and experts, as it deems necessary or appropriate.
- 6.3 **Investigations.** The Committee has the power, in its discretion, to conduct any investigation it deems necessary or appropriate to enable it to carry out its duties.
- 6.4 **Required Participation of Employees.** The Committee will have unrestricted access to the independent public accountants, the internal auditors, internal and outside counsel, and anyone else in the Company, and may require any officer or employee of the Company or the Company's outside counsel or independent

public accountants to attend any meeting of the Committee or to meet with any members of, or consultants or advisors to, the Committee.

[End]

ANNEX A

Nominating Committee Policy of Otelco Inc.

Process for Evaluating and Selecting Potential Director Candidates

The Nominating and Corporate Governance Committee (the “**Committee**”) is responsible for, among other things, annually identifying and recommending to the Board of Directors of Otelco Inc. (the “**Board**”) the nominees to be selected by the Board for each annual meeting of stockholders. The Committee is also responsible for periodically assessing, developing and communicating with the full Board concerning the appropriate criteria to be utilized in evaluating potential director nominees.

Minimum Qualifications for Director Nominees

The Committee has established the following minimum criteria for evaluating prospective board candidates:

- Reputation for integrity, strong moral character and adherence to high ethical standards.
- Demonstrated business acumen and experience and ability to exercise sound business judgments and common sense in matters that relate to the current and long-term objectives of the Company.
- Ability to read and understand basic financial statements and other financial information pertaining to the Company.
- Commitment to understand the Company and its business, industry and strategic objectives.
- Commitment and ability to regularly attend and participate in meetings of the Board of Directors, Board Committees and stockholders, the number of other company Boards on which the candidate serves and the ability to generally fulfill all responsibilities as a director of the Company.
- Willingness to represent and act in the interests of all stockholders of the Company rather than the interests of a particular group.
- Good health and ability to serve.
- For prospective non-employee directors, independence under SEC and applicable stock exchange rules, and the absence of any conflict of interest (whether due to a business or personal relationship) or legal impediment to, or restriction on, the nominee serving as a director.

- Willingness to accept the nomination to serve as a director of the Company.

Other Factors for Potential Consideration

The Committee will also consider the following factors in connection with its evaluation of each prospective nominee:

- Whether the prospective nominee will foster a diversity of skills and experiences.
- For potential Audit Committee members, whether the nominee possesses the requisite education, training and experience to qualify as “*financially literate*” or as an audit committee “*financial expert*” under applicable SEC and stock exchange rules.
- For incumbent directors standing for re-election, the incumbent director’s performance during his or her term, including the number of meetings attended, level of participation, and overall contribution to the Company.
- Composition of Board and whether the prospective nominee will add to or complement the Board’s existing strengths.

Process for Identifying, Evaluating and Recommending Nominees

- The Committee initiates the process by preparing a slate of potential candidates who, based on their biographical information and other information available to the Committee, appear to meet the criteria specified above and/or who have specific qualities, skills or experience being sought (based on input from the full Board).
- *Outside Advisors.* The Committee may engage a third-party search firm or other advisors to assist in identifying prospective nominees.
- *Stockholder Suggestions for Potential Nominees.* The Committee will consider suggestions of nominees from stockholders. Stockholders may recommend individuals for consideration by submitting the materials set forth below to the Company addressed to the Chairman of the Committee at the Company’s address. To be timely, the written materials must be submitted within the time permitted in the Company’s bylaws for submission of a stockholder proposal for inclusion in the Company’s proxy statement for the subject annual meeting.
- The written materials must include: (1) all information relating to the individual recommended that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including such person’s written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (2) the name(s) and address(es) of the stockholders making the nomination and the amount of the Company’s securities which are owned beneficially and of record by such stockholder(s); (3) a representation that the stockholder of record is a holder of record of stock of the Company entitled to vote on the date of submission of such

written materials and intends to appear in person or by proxy at the meeting to propose such nomination; (4) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (y) otherwise to solicit proxies from stockholders in support of such proposal or nomination; and (5) any other information that the Company may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Company.

- The Committee will evaluate a prospective nominee suggested by any stockholder in the same manner and against the same criteria as any other prospective nominee identified by the Committee from any other source.
- *Nomination of Incumbent Directors.* The re-nomination of existing directors should not be viewed *as* automatic, but should be based on continuing qualification under the criteria set forth above.
 - For incumbent directors standing for re-election, the Committee will assess the incumbent director's performance during his or her term, including the number of meetings attended, level of participation and overall contribution to the Company; the number of other company Boards on which the individual serves, the composition of the Board at that time and any changed circumstances affecting the individual director which may bear on his or her ability to continue to serve on the Board.
- *Management Directors.* The number of officers or employees of the Company serving at any time on the Board should be limited such that, at all times, a majority of the directors is "independent" under applicable SEC, stock exchange rules or over-the-counter market rules.
- After reviewing appropriate biographical information and qualifications, first-time candidates will be interviewed by at least one member of the Committee and by the Chief Executive Officer.
- Upon completion of the above procedures, the Committee shall determine the list of potential candidates to be recommended to the full Board for nomination at the annual meeting.
- The Board of Directors will select the slate of nominees only from candidates identified, screened and approved by the Committee.

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