

**BYLAWS
OF
RED RIVER RURAL
TELEPHONE ASSOCIATION**

August 17, 2017

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ARTICLE I
MEMBERSHIP

SECTION 1.1 Membership Requirements

Any individual or entity with the capacity to enter into legally binding contracts (“entity”) is eligible to become a member upon receipt of retail telecommunications services from the Cooperative at a premise within its established 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 communications services from the Cooperative in accordance with the rates, terms and conditions specified by the Cooperative; and
 - (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, re-connection, security, facilities extension and construction fees and deposits as may be established or required by any rule, regulation or policy adopted by the Board.
 - (d) 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, and in accordance with such reasonable terms and conditions as the Cooperative requires for purposes of:
 - (i) furnishing such services to such member and to other members;
 - (ii) construction, operation, maintenance and relocation of the Cooperative’s facilities; and
 - (iii) satisfaction or facilitation of any obligation incurred or right granted by the Cooperative to third parties regarding the use of the Cooperative’s property; and
 - (e) to hold no more than one membership in the Cooperative and no membership shall be transferable, except as provided in these Bylaws.

In addition to complying with all of the foregoing requirements of membership, any former member may renew and reactivate membership in the Cooperative by paying all of such former member’s account balances, plus interest thereon at the rate from time to time established by the Board. For purposes of these Bylaws, the term “former member” shall include a close relative of a former member who lives or resides with such former member in the same premises formerly served by the Cooperative.

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

SECTION 1.2 Definition and Classifications

- (1) In its sole discretion and in accordance with an established membership service classification policy, the Board may separately classify certain functions or services, or groups or types of functions or services, so as to more effectively account for costs of service for and patronage margins supplied by members using each such classification. In allocating expenses and patronage capital credits, the Board may consider a variety of relevant factors such as the cost of rendering various classes or types of service, the terms and conditions of certain types of service, the terms of agreements with members and the obligations of the parties involved. Accordingly, patronage capital credits may accrue at a different rate for certain classifications or different types or classes of service, resulting in some classifications producing no margins for allocation, while other classifications produce allocable margins. If Cooperative activities and margins are separately classified in this manner, each member's patronage capital credit allocation will show the patronage capital allocated for each class of function, service or group to which the member subscribes or belongs.
- (2) Each time-sharing or interval ownership premise is considered as a single member. The corporation, partnership or other entity holding or managing the property will be deemed to hold the membership.
- (3) Memberships in the Cooperative are extended only to individuals or entities who meet the requirements of 1.1. Memberships formerly issued to spouses, previously referred to as joint memberships, will be allowed to continue. However, from the date of adoption of these Bylaws, no new joint memberships will be established.
- (4) Individual memberships will be freely transferrable on the books of the Cooperative between any persons in the same household or entity upon request in writing. Thus, the term "member" as used in these Bylaws shall refer to an individual or an entity, but can, on a grandfathered basis, be deemed to include spouses still holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a grandfathered joint membership shall be as follows:
 - (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
 - (b) The vote of either separately or both jointly shall constitute one joint vote;
 - (c) A waiver of notice signed by either or both shall constitute a joint waiver;
 - (d) Notice to either shall constitute notice to both;
 - (e) Expulsion of either shall terminate the joint membership;
 - (f) Withdrawal of either shall terminate the joint membership;
 - (g) Either, but not both, may be elected or appointed as an officer or Board member if individually qualified;
 - (h) Upon the death of either spouse who is a party to the joint membership, such membership shall be converted to an individual membership. However, the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 1.3 Purchase of Services

Each individual or entity that applies for membership shall subscribe to one or more services of the Cooperative as soon as service becomes available. The member shall pay for such service monthly in accordance with rates established in tariffs or rate schedules as fixed by the Board. It is expressly understood that amounts in excess of cost received by the Cooperative for all telecommunications and information services are furnished by members as capital from the moment of receipt, and each member shall be credited with the capital so furnished as provided in Article VIII of these Bylaws. However, the Cooperative is not obligated to furnish such credits for services that are not billed and collected by the Cooperative, even when such services are partially rendered over the facilities of the Cooperative. Each member shall pay the above amounts owed by such member to the Cooperative as and when the same become due and payable.

SECTION 1.4 Termination of Membership

- (1) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than 2/3 of all the members of the Board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules and regulations adopted by the Board, but only if such member shall have been given notice by the Cooperative that such failure makes him/her liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting.
- (2) Upon the withdrawal, death, cessation of service or expulsion of a member, the membership of such member shall thereupon terminate and will be so recorded on the books of the Cooperative. Termination of membership in any manner shall not release a member or his/her estate from any debts due the Cooperative nor do unpaid bills release members from their obligations under these Bylaws or rules and regulations approved by the Board.
- (3) In case of withdrawal or termination of membership in any manner, the Cooperative shall, subject to Section 1.3, repay to the member the amount of any membership fee credited to the member's account; provided, however, that the Cooperative shall deduct, from the amount of the membership fee, the amount of any debts or obligations owed by the member to the Cooperative.

SECTION 1.5 Member Termination

- (1) Except as otherwise provided in these Bylaws, a member is terminated upon: (1) the member's death, legal dissolution, or legal cessation of existence; (2) the member requesting termination; or (3) the Cooperative learning that the member has permanently ceased using a Cooperative service. Except as otherwise provided by the Board, a partnership member continuing to use a Cooperative service is not terminated upon the death of a partner or following any other alteration in the partnership. A partner departing a partnership member remains liable to the Cooperative for Cooperative services provided to or for the member before, and amounts owed to the Cooperative by the member at the time of, the partner's departure.
- (2) Termination of a member does not: (1) release the member from debts, liabilities, or obligations owed to the Cooperative; or (2) release the Cooperative from the obligation to retire and pay capital credits to the former member or obligations to the former member regarding the Cooperative's dissolution. Upon a member's termination from the Cooperative, and after deducting amounts owed to the Cooperative, the Cooperative must return to the member any amount provided in the Cooperative's governing documents.

ARTICLE II
RIGHTS AND LIABILITIES OF THE COOPERATIVE AND THE MEMBERS

SECTION 2.1 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 2.2 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 telecommunications lines, overhead or underground, including all conduit, cables, wires, surface testing terminals, markers and other appurtenances under, through, across, and upon any real property or interest therein owned or leased or controlled by said member for the furnishing of telecommunication service to said member, or any other member, at no cost to the Cooperative. When requested by the Cooperative, the member does agree to execute any easement or right-of-way contract on a form to be furnished by the Cooperative.

SECTION 2.3 Non-liability for Debts of the Cooperative

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

SECTION 2.4 Property Interest of Members Upon Dissolution

Upon dissolution, after:

- (1) All debts and liabilities of the Cooperative have been paid;
- (2) All capital furnished through patronage has been retired as provided in these Bylaws; and
- (3) All membership fees have been repaid.

the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each member and former member bears to the total patronage of all such members and such former members on the date of dissolution, unless otherwise provided by law.

SECTION 2.5 Cooperative and Member Property Rights

- (1) The Cooperative, through its authorized employees, agents and independent contractors, shall have access at reasonable hours to install, construct, inspect, maintain, replace, relocate or repair all property owned by the Cooperative and situated or located on lands or property owned by members. No member shall have the right to replace, remove, relocate, rearrange or otherwise disturb any of the Cooperative's property placed on lands or property owned by the member.
- (2) A member shall have the right to make changes in, replace, remove, relocate or rearrange facilities or equipment owned by the member and used in connection with the Cooperative's telecommunications and information services, provided, however, that the member shall indemnify and hold the Cooperative harmless from any and all claims of any kind or nature including death of, injury, loss or damage to person or property, resulting or arising from any such changes, replacement, removal, relocation or rearrangement.

SECTION 2.6 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 both between 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 term and provisions with the Cooperative and each of its members. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office or by publication distributed by the Cooperative to its members.

ARTICLE III **MEETINGS OF MEMBERS**

SECTION 3.1 Annual Meeting

The Annual Meeting of the Members shall be held at a date and place within the states of operation as selected by the Board, and shall be designated in the Notice of the Meeting for the purpose of electing Board Members, passing upon reports for the previous fiscal year, and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the Annual Meeting. Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative nor affect the validity of any corporate action.

SECTION 3.2 Special Meetings

- (1) Special meetings of the members may be called by majority vote of the Board, or upon a written petition of 20% of the members submitted to the President ("Member Petition"), and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties served by the Cooperative as designated by the Board and shall be specified in the Notice of the Special Meeting.
- (2) The Board shall determine the date, time and location or manner of a Special Meeting.
- (3) If the Cooperative does not notify members of a Special Member Meeting within 10 days of receiving a Member Petition then a member signing the Member Demand may (1) set a reasonable time, place, and location for the Special Member Meeting; and (2) notify members of the Special Member Meeting.

SECTION 3.3 Notice of Members' Meetings

Written or printed notice stating the place, day and hour of the meeting, and, in case of a special meeting or an Annual Meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, either in person, by mail or electronic transmission by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, addressed to the member at the address appearing on the records of the Cooperative, with postage thereon prepaid. The incidental or unintended failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the Members at any such meeting.

SECTION 3.4 Postponement of a Meeting of the Members

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

SECTION 3.5 Quorum

Business may not be transacted at any meeting of the members unless there are present in person at least fifty (50) members or one-half of one percent (½%) of the then total members of the Cooperative, whichever is greater, except that, if less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date, provided that the Secretary shall notify any absent members of the time, date, and place of such adjourned meeting by delivering notice thereof as provided in Section 3.3. At all meetings of the members, whether a quorum be present or not, the Secretary shall affix to the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person.

SECTION 3.6 Credentials and Election Committee

- (1) The Board of Directors shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee consisting of an uneven number of Cooperative members -- not less than five (5), not more than fifteen (15), -- who are not existing Cooperative employees, agents, officers, Directors or known candidates for Director, and who are not close relatives (as hereinafter defined) or members of the same household thereof. In appointing the Committee, the Board shall have regard for the equitable representation of the geographic areas served by the Cooperative. The Committee may elect its own chairman and secretary prior to the member meeting.
- (2) It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members in person, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other vote irregularity or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of Directors (including but not limited to the validity of petitions of nomination or the qualification of candidates and the regularity of the nomination and election of Directors), and to pass upon any protest or objection filed with respect to any election or conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative.
- (3) Any protest or objection concerning any election must be filed within three (3) business days following the adjournment of the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairperson, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as presented by the protester(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time, but not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside.
- (4) The Committee may not affirmatively act on any matter unless a majority of the Committee is present. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this section shall be final.

SECTION 3.7 Voting at Meetings

- (1) Each member shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the Members. Cumulative voting is not permitted. Voting by members other than members who are natural persons shall be allowed upon presentation to the Cooperative, prior to each member meeting, and satisfactory evidence entitling the person presenting the same to vote.
- (2) All questions, except those involving multiple choice issues or determinations, shall be decided by a vote of a majority of the members voting thereon in person except as otherwise provided by law, the Articles of Incorporation, or these Bylaws. Multiple choice issues or determinations shall be decided by a plurality vote. In the election of Directors, a voice vote may be permitted if there is no competition for the seat or seats to be filled.
- (3) Except as otherwise provided in these Bylaws or by the Board, a member may vote by mail, but only in a manner prescribed by the Board.
 - (a) Mail Ballot Without Member Meeting. A member may vote or act by mail on any matter, or as the Board may otherwise prescribe, without a member meeting by the Cooperative delivering or providing access to a written mail ballot (“Mail Ballot Without Member Meeting”) to each member entitled to vote on the matter. A proposed action is approved if: (1) the number of completed Ballots Without Member Meeting timely received by the Cooperative equals or exceeds the member quorum; and (2) the number of votes favoring the proposed action equals or exceeds the number of votes required to approve the action at a member meeting at which the total number of votes cast equal the total number of votes cast by Mail Ballot Without Member Meetings.
 - (b) Mail Ballot With Member Meeting. A member may vote or act on any matter, or as otherwise provided by the Directors, in conjunction with a member meeting by the Cooperative delivering or providing access to a written mail ballot (“Mail Ballot With Member Meeting”) to each member entitled to vote on the matter and from whom the Cooperative received a written request for a Mail Ballot With Member Meeting at least 15 days before the member meeting. A member submitting a completed Ballot With Member Meeting may revoke the ballot and vote at the member meeting regarding a matter described in the Ballot With Member Meeting in a manner prescribed by the Board. The Cooperative must count completed Mail Ballots With Member Meeting received before the member meeting in determining whether a member quorum exists at the member meeting. The Cooperative must count as a member’s vote a properly completed Mail Ballot (or Electronic Ballot) With Member Meeting received on or before the time and date stated in the Mail Ballot With Member Meeting or Electronic Ballot With Member Meeting. The Board may require that all votes be cast or action be taken by completed Mail Ballot With Member Meeting submitted or by mail or electronically before the member meeting.
 - (c) Mail Ballot. A Mail Ballot Without Member Meeting or a Mail Ballot With Member Meeting (Mail Ballot) must: (1) set forth and describe a proposed action, identify a candidate, and include the language of a motion, resolution, Bylaw amendment, or other written statement, upon which a member is asked to vote or act; (2) state the date of a member meeting at which members are scheduled to vote or act on the matter; (3) provide an opportunity to vote for or against or to abstain from voting on the matter; (4) instruct the member how to complete, return, or cast a Mail Ballot, and (5) state the time and date by which the Cooperative must receive the completed Mail Ballot.

- (4) Except as otherwise provided in these Bylaws or by the Board, a member may not revoke a completed Mail Ballot received by the Cooperative. That Member's failure to receive a Mail Ballot does not affect a vote or action taken by Mail Ballot.
- (5) Material soliciting approval of a matter by Mail Ballot, must: (1) contain or be accompanied by a copy or summary of the matter, (2) state the member quorum required to vote on the matter; (3) for all matters other than the election of Directors, state the percentage of approval necessary to approve the matter; and (4) state the time and date by which the Cooperative must receive a completed Mail Ballot.
- (6) A Mail Ballot may not be procured or cast through fraud or other improper means. As determined by the Cooperative, a Mail Ballot or Electronic Ballot procured or cast through fraud or other improper means is invalid.

SECTION 3.8 Informal Action by Members

Any action required to be taken at a meeting of the members, or, any action which may be taken at a meeting of the members may be taken without a membership meeting, if:

- (1) a consent in writing, setting forth the action so taken, shall be approved by the signatures of the necessary percentage of members entitled to vote as set forth in the Bylaws is obtained with respect to the taking of a membership action on the particular matter voted upon, and
- (2) the members so voting would have been entitled to vote if the question(s) had been properly submitted to these members at a membership meeting. In such cases, the membership consent, approving or disapproving, such action shall have the same force and effect as if a meeting had been held.

SECTION 3.9 Order of Business

- (1) The order of business at the Annual Meeting of the members and, so far as possible at all other meetings of the members, shall be conducted under policies established by the Board and under an agenda essentially as follows, except as otherwise determined by the members at such meeting:
 - (a) report on the number of members present in person in order to determine the existence of a quorum.
 - (b) reading of the Notice of the Meeting and proof of the timely publication or mailing thereof, or the waiver or waivers of Notice of Meeting, as the case may be.
 - (c) reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon unless minutes presented for approval shall have been furnished by a timely mailing or have been distributed at the meeting to all active members present. In such case, the President may entertain a motion from the floor to dispense with the reading of such minutes.
 - (d) audit report of outside auditors or a summary thereof.
 - (e) election of Board Members.
 - (f) presentation and consideration of reports of officers, trustees, and committees.
 - (g) unfinished business.
 - (h) new business.

- (i) adjournment.
- (2) Notwithstanding the foregoing, the Board or the members themselves may, from time to time, establish a different order of business for the purpose of assuring the earlier consideration of an action upon any item of business, the transaction of which is necessary or desirable in advance of any other item of business; provided that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.
- (3) The Agenda for the Meeting must be included in any Mail Ballot Notice that is sent out to the Members and may not be varied once the Notice has been sent out.

ARTICLE IV
BOARD MEMBERS

SECTION 4.1 General Powers

The business and affairs of the Cooperative shall be managed by a Board of members which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation, or these Bylaws conferred upon or reserved to the members.

SECTION 4.2 Election Process And Tenure of Office

Directors shall be elected by a secret ballot at each Annual Meeting when there is competition for the Board seat(s) to be filled. They shall be elected by and from the members to serve a three (3) year term or until their successors shall have been elected and shall have qualified. The terms of the Directors shall be staggered to insure continuity. If an election of Directors shall not be held on the day designated herein for the Annual Meeting or at any adjournment thereof, a Special Meeting of the members shall be held for the purpose of electing directors at a reasonable time thereafter. Directors shall be nominated and elected as provided hereinafter.

SECTION 4.3 Board Election Districts

The Cooperative is divided into nine (9) geographic service areas and from each shall be elected one Director to the Board by members of that area.

The geographic service areas are set forth as follows:

- Geographic Area 1: shall include all telephone patrons of the Abercrombie Exchange
- Geographic Area 2: shall include all telephone patrons of the Barnesville Exchange
- Geographic Area 3: shall include all telephone patrons of the Colfax Exchange
- Geographic Area 4: shall include all telephone patrons of the Great Bend Exchange
- Geographic Area 5: shall include all telephone patrons of the Kent Exchange
- Geographic Area 6: shall include all telephone patrons of the Mooreton Exchange
- Geographic Area 7: shall include all telephone patrons of the Rollag Exchange
- Geographic Area 8: shall include all telephone patrons of the Fairmount and Hankinson Exchanges
- Geographic Area 9: shall include all telephone patrons of the Lidgerwood and Wyndmere Exchanges

SECTION 4.4 Qualifications to be Nominated, to Become or to Remain a Director

- (1) Any member shall be eligible to be nominated, elected, and remain a Director of the Cooperative provided that he/she:
 - (a) resides in the geographic area from which he or she is elected, and has resided there for more than ninety (90) days during the last twelve (12) month period

- (b) is not a current or past employee of the Cooperative, or in any material way financially interested in a competing enterprise or a business engaged in selling communication services or communication supplies or maintaining communication facilities. The Board may by general rule or in particular circumstances determine which interests in competing enterprise are material.
 - (c) is not a convicted felon of any State or Federal crime.
 - (d) is not closely related to an incumbent Director or an employee of the Cooperative. As used here, "closely related" means a person who is related to the principal person by blood or marriage, to the second degree or less - that is, a person who is either a spouse, child, grandparent, parent, brother, sister, aunt, uncle, nephew, or niece, by blood or in law, of the principal or a member in the same household thereof. However, no incumbent Director shall lose eligibility to remain a Director or to be re-elected as a Director if he becomes a close relative of another incumbent Director or of a Cooperative employee because of a marriage to which he was not a party; neither shall an employee lose eligibility to continue in the employment of the Cooperative if he or she becomes a close relative of a Director because of a marriage to which he or she was not a party.
 - (e) notwithstanding the foregoing, the Cooperative shall adopt a written policy which will govern the application in practice of this Bylaw section to assure no employee will suffer unjust or unreasonable discrimination because of marital status.
- (2) To remain a Director, the incumbent must attend two-thirds (2/3) or more of the regular meetings during each twelve-month period, beginning with the month of his/her election. The Director must also comply with all of the Cooperative's rules and regulations in order to remain a Director. Upon establishment of the fact that a Director or nominee is in violation of any of the provisions of this Section, that office or nomination shall be deemed vacant. This requirement may be waived at the discretion of the majority of the Board.
- (3) Nothing in this Section shall affect, in any manner whatsoever, the validity of any action taken at any meetings of the Board.

SECTION 4.5 Nominations

- (1) Any ten (10) or more members who reside in any one exchange may nominate an eligible member for a Director position in that exchange. Such nomination shall be in writing and signed by said ten (10) members, or more, and delivered to the Cooperative's office at least thirty (30) days before the Annual Meeting of the members of the Cooperative.
- (2) Director candidates or members must pick up the Petition Form at Red River Rural Telephone Association's business office at 510 Broadway, Abercrombie, ND.
- (3) The Cooperative must receive the completed petition no later than the close of business at 4:30 pm on the day of the designated deadline.
- (4) No member may be elected to a Director position unless nominated in the manner provided by this section. No write-in ballots shall be accepted.

SECTION 4.6 Election of Directors

- (1) Contested elections of Directors shall be by a form of printed ballot. The ballot shall list the names of the candidates who have filed completed petitions in accordance herewith.

- (2) Each member of the Cooperative present in person at the meeting or by Mail Ballot shall be entitled to vote for one (1) candidate from the member's geographic area or on any issue before the meeting. The candidate from each Geographical Area from which a Director is to be elected receiving a plurality of votes cast for that office at such meeting shall be declared elected as Director.

SECTION 4.7 Removal of Board Member by Members and Resignations

- (1) Any member may bring charges against a Board member which shall specify malfeasance or nonfeasance of the duties and responsibilities of his/ her position. Such charges shall be in writing and filed with the Secretary together with a petition signed by at least ten (10) percent of the members, or two hundred (200) members, whichever is the lesser, and may request the removal of such Board member by reason thereof.
- (2) Such Board member shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel to present evidence in respect to the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such Board member shall be considered and voted upon at the meeting of the members. No Director shall be removed from office unless by a vote of two-thirds (2/3) of the members present.
- (3) Any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with provisions of Section 4.5 with respect to nominations.
- (4) A Director may resign at any time by written notice delivered to the Board of Directors, the President or Secretary of the Cooperative. A resignation is effective when the notice is delivered unless the notice specifies a future date. The pending vacancy may be filled before the effective date but the successor shall not take office until the effective date.

SECTION 4.8 Vacancies

Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Board members by the members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Board members for the unexpired portion of the term, provided, however, that in the event the vacancy is not filled by the Board within sixty (60) days after the vacancy occurs, the members shall have the right to fill such vacancy at a meeting of the members without compliance with the foregoing provisions in respect to nominations. However, any successor, whether chosen by the Board or the members must reside in the same Geographical Area as the vacant directorship and have the same qualifications for office as set forth in Section 4.4. If a Board member duly elected by the membership at large (not individual Geographical Area) moves his or her residence to another Geographical Area of the Cooperative, he or she may continue to serve as Director for the former Geographical Area until the next Annual Meeting at which time a successor director shall be elected to serve out the term of the director who has moved from that geographic area.

SECTION 4.9 Compensation and Benefits of Board Members

- (1) Board members shall, as determined by resolution of the Board, receive a fixed sum for each day or portion thereof spent on Cooperative business such as attendance at meetings, conferences, and training programs, or performing committee assignments when authorized by the Board. 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 expenses.

- (2) Board members who elect to participate may be extended various forms of liability and accident insurance as well as participation in benefits provided to employees, except for benefits based on salary.
- (3) No Board member shall receive compensation for service to 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 purpose of this section, "close relative" includes grandparent, parent, husband, wife, child, grandchild, brother, sister, aunt, uncle, nephew, and niece, by blood, by marriage, or by adoption, and spouse of any of the foregoing. The written policy adopted by the Board on nepotism pursuant to Section 4.4(3) shall also govern here.

SECTION 4.10 Rules, Regulations, Rate Schedules and Contracts

The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate classifications, rate schedules, contracts, security deposits or any other types of deposits, payments or charges including contributions in aid of construction, not inconsistent with law or the Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative, or cause such to be submitted for any appropriate governmental-regulatory approval.

SECTION 4.11 Accounting Systems and Audits

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

ARTICLE V **BOARD MEETINGS AND DIRECTOR VOTING**

SECTION 5.1 Regular Meetings

- (1) The Board shall regularly meet at the date, time, and location determined by the Board ("Regular Board Meeting.") Regular Board Meetings may be held without Notice at a date and time determined by the Board from time to time. For good cause, the President may change the date, time, or location of a Regular Board Meeting. A Director not attending a Board Meeting at which the Regular Board Meeting date, time, or location is changed is entitled to receive notice of the Regular Board Meeting change at least five (5) days before the next Regular Board Meeting. All Directors are entitled to receive notice of a President's change in a Regular Board Meeting date, time, or location at least five (5) days before the changed Regular Board Meeting.
- (2) Regular Board Meetings shall be held each month unless the Board determines to cancel a Board Meeting. The Regular Board Meetings may be held without notice other than a resolution of the Board fixing the time and place thereof.
- (3) Regular or Special Meetings may be conducted through the use of conference telephone or other communications by means of which all persons participating in the meetings can communicate with each other. Such participation will constitute attendance and presence in person at the meeting of the persons so participating.

SECTION 5.2 Special Meetings

Special Meetings of the Board may be called by the President or by any three (3) Board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or Board members calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 5.3 Notice of Board Meetings

Written notice of the time, place, (or telecommunications conference event) and purpose of any Special Meeting of the Board shall be delivered to each Board member personally or by mail, fax, email or other electronic communication or at the direction of the Secretary, or upon default in duty by the Secretary, by the President or one of the Board members calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, addressed to the Board member at his address as it appears on the records of the Cooperative, with first-class postage thereon prepaid, at least five (5) business days before the date set for the meeting.

SECTION 5.4 Conduct of Board Meetings

- (1) Except as otherwise provided in these Bylaws, a Regular Board Meeting or Special Board Meeting (“Board Meeting”) may be:
 - (2) held in, or out of, a state in which the Cooperative provides a Cooperative Service; and
 - (3) conducted with absent Directors participating, and deemed present in person, through any means of communication by which all Directors participating in the Board Meeting may simultaneously hear each other during the Board Meeting.
 - (4) If a Director Quorum is present at a Board Meeting, then:
 - (5) in descending priority, the following officers may preside at the Board Meeting: President, Vice-President, Secretary, and Treasurer; and
 - (6) if no officer is present or desires to preside at a Board Meeting, then the Directors attending the Board Meeting must elect a Director to preside over the Board Meeting.
 - (7) The Board may promulgate or approve rules, policies, and procedures regarding:
 - (a) attendance at, participation in, or presentation during Board Meetings by persons other than Directors;
 - (b) the right to access, inspect, or copy minutes, records, or other documents relating to a Board Meeting by persons other than Directors; or
 - (c) the conduct of Board Meetings.

SECTION 5.5 Quorum

A majority of the Board shall constitute a quorum, provided, that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Board members of the time and place of such adjourned meeting. The act of a majority of the Board members present and voting at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws or by the parliamentary procedure or special rules adopted by the Cooperative. Board Members may not vote by proxy at Regular or Special Board Meetings. An interested Director is not counted in determining whether a Director quorum is present to vote or act upon a matter in which the

Director is interested. An Agreement signed by Directors providing the manner in which a Director must vote is not valid.

SECTION 5.6 Unanimous Consent in Writing

Unless otherwise prohibited by law, Board actions may be taken without a meeting and without a vote if unanimous consent of the Board is obtained in writing setting forth the action taken in detail and the detail is signed by all Board members entitled to vote. Consent may be in writing, by fax, or by electronic means. Except if a different effective date is provided in the Director written consent, action taken by a Director written consent is effective when the last Director signs the Director written consent. A Director written consent has the effect of, and may be described as, a Board Meeting vote.

SECTION 5.7 Waiver of Board Meeting Notice

At any time before, during, or after a Board Meeting, a Director may waive notice of a Board Meeting by delivering to the Cooperative a written (or electronic) Waiver of Notice signed by the Director and later filed with the Board Meeting minutes or the Cooperative's records. A Director's attendance at, or participation in, a Board Meeting waives notice of the Board Meeting and any matter considered at the Board Meeting, unless the Director:

- (1) at the beginning of the Board Meeting, objects to the holding of or transacting of business at the Board Meeting for a matter being considered at the Board Meeting; and
- (2) does not vote for, or consent to the action taken at the Board Meeting for the objected matter.

SECTION 5.8 Committees

The Board may create a committee of the Board ("Board Committee") and appoint Directors to serve on the Board Committee. A Board Committee must consist of two or more Directors and serves at the Board's discretion. The Board may create a committee of the Members ("Member Committee") and appoint Members, including Directors, to serve on the Member Committee. The Board may appoint one or more Directors or Members, respectively, as alternate members of any Board or Member Committee to replace any absent or disqualified Committee member during the Committee member's absence or disqualification.

- (1) Creation and Appointment of Committees: Except as otherwise provided in these Bylaws, at least a majority of Directors currently in office must approve the: (a) creation of a Board Committee or Member Committee; (b) appointment of Directors to a Board Committee; and (c) appointment of Members to a Member Committee.
- (2) Conduct of Committee Meetings: To the same extent as the Board of Directors, the Bylaws addressing Regular Board Meetings, Special Board Meetings, Conduct of Board Meetings, Waiver of Board Meeting Notice, Board Action by Written Consent, and Director Quorum and Voting apply to Board Committees and Directors serving on Board Committees, and to Member Committees and members serving on Member Committees. For purposes of a quorum, members who are part of a Committee will be counted as a Director.
- (3) Committee Authority: A Member Committee may act as specified by the Board, but may not exercise Board authority. Except as otherwise provided in this Bylaw, the Board may authorize a Board Committee to exercise Board authority. Although a Board Committee may recommend, a Board Committee may not act, to: (a) retire and pay capital credits; (b) approve the Cooperative's dissolution or merger, or the sale, pledge, or transfer of all, or substantially all, Cooperative Assets; (c) elect, appoint, disqualify, or remove a

Director, or fill a Board or Board Committee vacancy; or (d) adopt, amend, or repeal Bylaws.

SECTION 5.9 Board Executive Committee

- (1) Except as otherwise provided by the Board:
 - (a) a Board Executive Committee is composed of the President, Vice-President, Secretary, and Treasurer (“Board Executive Committee”); and
 - (b) when impracticable or inconvenient for the Board to timely meet to consider a matter, and except as otherwise provided in these Bylaws Except as otherwise provided in these Bylaws, the Board Executive Committee may exercise all Board authority regarding a matter.
- (2) The Board Executive Committee:
 - (a) is a Board Committee;
 - (b) may exercise all Board authority granted by the Board and permitted under these Bylaws; and
 - (c) at the next Board Meeting following an exercise of Board authority, must report to the Board regarding the Board Executive Committee’s exercise of Board authority.

SECTION 5.10 Board Audit Committee

- (1) The Board shall have an audit committee that is directly responsible for appointing, compensating, and overseeing the work of any registered public accounting firm employed by the Cooperative, including resolving disagreements between management and the auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or related work, and each registered public accounting firm must report directly to the audit committee (“Board Audit Committee”). Each member of the Board Audit Committee:
 - (a) must be a Director; and
 - (b) other than in the capacity of a Member, Director, or member of a Board Committee, must not accept any consulting, advisory, or other compensatory fee from the Cooperative.
- (2) The Board Audit Committee shall establish procedures for:
 - (a) the receipt, retention, and treatment of complaints received by the Cooperative regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Cooperative of concerns regarding questionable accounting or auditing matters. The Board Audit Committee may engage independent counsel and other advisors, as it determines necessary to carry out its duties.
- (3) The Cooperative shall provide for appropriate funding, as determined by the Board Audit Committee in its capacity as a committee of the Board, for compensating:
 - (a) the registered public accounting firm employed by the Cooperative for the purpose of rendering or issuing an audit report; and
 - (b) any advisors employed by the Board Audit Committee. The Board Audit Committee is a Board Committee.

SECTION 5.11 Conflict of Interest Transaction

A conflict of interest transaction is a contract or transaction with the Cooperative in which a Director has a direct or indirect interest (“Conflict of Interest Transaction”).

- (1) Indirect Interest. A Director has an indirect interest in a contract or transaction with the Cooperative if at least one party to the contract or transaction is another Entity:
 - (a) in which the Director has a material or financial interest, or is a general partner; or
 - (b) of which the Director is a director, officer, or trustee.
- (2) Approval of Conflict of Interest Transaction. Regardless of the presence or vote of a Director interested in a Conflict of Interest Transaction, a Conflict of Interest Transaction may be approved, and a Board Quorum or Member Quorum satisfied, if the material facts regarding the Conflict of Interest Transaction and the Director’s interest, are:
 - (a) disclosed or known to the Board or Board Committee, and a majority of more than one Director or Board Committee Member with no interest in the Conflict of Interest Transaction votes in good faith to approve the Conflict of Interest Transaction; or
 - (b) disclosed or known to the Members, and a majority of Members not voting under the control of a Director or Entity interested in the Conflict of Interest Transaction votes in good faith to approve the Conflict of Interest Transaction.
- (3) Fair Conflict of Interest Transaction. A Conflict of Interest Transaction that is approved pursuant to this Bylaw, or that is fair to the Cooperative when entered or approved pursuant to this Bylaw, is not, solely by reason of being a Conflict of Interest Transaction:
 - (a) void or voidable; or
 - (b) the basis for imposing liability on a Director interested in the Conflict of Interest Transaction.
- (4) Requirement to Comply with Rules and Regulations. A Conflict of Interest Transaction also occurs where a Director fails to follow the Rules and Regulations adopted from time to time by the Cooperative. A conflict of this nature will be considered a violation of a Director’s duty and in accordance with 4.4(2) the office held by the Director or Officer shall be deemed vacant.

ARTICLE VI **OFFICERS**

SECTION 6.1 Number and Titles

- (1) The Officers of the Cooperative shall be President, Vice-President, Secretary, Treasurer (Required Officers), and such other Officers as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person. The Board shall elect Required Officers: (1) at the first Regular Board Meeting following each annual member meeting, or as soon after each annual member meeting as reasonably possible and convenient; (2) by affirmative vote of a majority of Directors in office; and (3) by secret written ballot without prior nomination.

- (2) A Required Officer must be a Director. Except as otherwise provided by law, this Director may not execute, acknowledge, or verify a document in more than one capacity. Subject to removal by the Board, a Required Officer holds office until the Required Officer's successor is elected. The Board shall fill a vacant Required Officer's position for the unexpired portion of the Required Officer's term.

SECTION 6.2 Election and Term of Office

- (1) The officers shall be elected by ballot, if there is a contest, and if not, by voice vote or any other method designated by the person presiding. They shall be elected annually by and from the Board at the meeting of the Board held immediately after the Annual Meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be.
- (c) Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members, or until a successor shall have been elected and shall have qualified. Except as otherwise provided in these Bylaws, a vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 6.3 Removal of Officers and Agents by the Board

- (1) Any officer or agent elected or appointed by the Board may be removed by the Board for cause related to the performance of the duties of his/her position whenever, in its judgment, the best interests of the Cooperative will be served thereby. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the Board Meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity.
- (2) At any time, an officer may resign. To resign: (1) an officer elected or appointed by the Board must deliver to the Cooperative Board President an oral or written or electronic resignation; and (2) an officer elected, appointed, retained, or employed by the Cooperative's Chief Executive Officer must deliver to the Cooperative Board President an oral, written or electronic resignation. Except as a later effective date is otherwise provided in the officer resignation, the resignation is effective when received. If an officer resignation states a future effective date, and if, as appropriate, the Board or the Board President accepts the future effective date, then, as appropriate, the Board or Board President may fill the vacant officer's position before the future effective date, but the successor officer may not take office until the future effective date.

SECTION 6.4 President

Except as otherwise provided by the Board or these Bylaws, the President shall:

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

SECTION 6.5 Vice-President

Except as otherwise provided by the Board or these Bylaws, the Vice-President's duties shall be as follows:

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

SECTION 6.6 Secretary

Except as otherwise provided by the Board or these Bylaws, the Secretary shall be responsible for:

- (1) keeping the minutes of the meetings of the members and of the Board in books prepared for that purpose;
- (2) seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (3) the safekeeping of the corporate books and records and the Seal of the Cooperative and affixing the Seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- (4) keeping a register of the names and post office addresses of all members;
- (5) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto and at the expense of the Cooperative, furnishing a copy of these Bylaws and of all amendments thereto to each member; and
- (5) in general performing all duties incident to the Office of Secretary and such other duties as from time to time may be assigned to him or her by the Board.

SECTION 6.7 Treasurer

Except as otherwise provided by the Board or by these Bylaws, the Treasurer shall perform all duties, shall have all necessary responsibility and may exercise all authority prescribed by the Board including but not limited to:

- (1) custody of all funds and securities of the Cooperative;
- (2) the receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such financial institutions as shall be selected in accordance with the provisions of these Bylaws; provided, however, that the Treasurer shall have authority, with the approval of the Board, to delegate to the General Manager/CEO the authority to appoint employees of the Cooperative to actually carry out the responsibilities set for in this Section; and
- (4) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board; provided, however, with respect to the duties and responsibilities of the Treasurer, the Cooperative shall indemnify and hold the Treasurer harmless against any and all losses, claims and/or damages which may be asserted against the Treasurer, in his official capacity, unless such claim is a result of an act personally committed or omitted by the Treasurer resulting in loss to the Cooperative.

SECTION 6.8 Other Officers

The Board may create other offices and elect or appoint other officers (“Other Officers”). Except as otherwise provided by the Board, the Cooperative’s Chief Executive Officer/General Manager may create other offices and elect, appoint, retain, or employ Other Officers. The same individual may simultaneously hold more than one office. Except as otherwise provided by law, this individual may not execute, acknowledge, or verify a document in more than one capacity. Except as otherwise provided by the Board, Other Officers:

- (1) may be Directors, Cooperative employees, or other individuals;
- (2) must be elected or appointed by the affirmative vote of a majority of current Directors, or elected, appointed, retained, or employed by the Chief Executive Officer/General Manager;
- (3) may be elected by secret written ballot and without prior nomination;
- (4) may assist Required Officers; and
- (5) shall perform all duties and functions, shall have all responsibilities, and may exercise all authority, prescribed by the Board or the Chief Executive Officer/General Manager.

SECTION 6.9 General Manager/Chief Executive Officer

The Board shall appoint a General Manager/Chief Executive Officer, who may be, but who shall not be required to be, a member of the Cooperative. The General Manager/Chief Executive Officer shall perform such duties as the Board may from time to time require and shall have authority as the Board may from time to time vest in him. All references in these Bylaws to “Manager” shall, henceforth, be deemed to include the designation of Chief Executive Officer (CEO) coexistent with the designation of “Manager.”

SECTION 6.10 Bonds

The Board shall require the Treasurer and any other officer, agent, or employee of the Cooperative charged with the responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the Board shall determine. The Board, in its discretion, may also require any other officer, agent, or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

SECTION 6.11 Compensation

The powers, duties and compensation of officers, agents and employees shall be fixed or approved by the Board, subject to the Section 4.9 of these Bylaws with respect to compensation of Directors.

SECTION 6.12 Reports

The officers of the Cooperative shall submit, at each Annual Meeting of the members, reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year. The officer responsible for filing reports shall:

- (1) review the report;
- (2) assure that the report is based on the officer’s knowledge, and the report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading;

- (5) assure the financial statements and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the Cooperative as of, and for, the periods presented in the report;

SECTION 6.13 Officer Standard of Conduct

- (1) An Officer shall discharge the Officer's duties: (a) in good faith; (b) with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and (c) in a manner the Officer reasonably believes to be in the Cooperative's best interests.
- (2) An Officer shall: (a) inform the Board, or the superior Officer or Board Committee to whom or which the Officer reports, of information regarding the Cooperative's affairs known to the Officer, within the scope of the Officer's duties and functions, and known to the Officer to be material to the superior Officer or Board; and (b) inform the Board, the superior Officer to whom the Officer reports, or another appropriate person within the Cooperative of any actual or probable material violation of law involving the Cooperative, or material breach of duty to the Cooperative by a Cooperative Officer, employee, or agent, that the Officer believes has occurred or is likely to occur.

SECTION 6.14 Officer Contract Rights

The election, appointment, retention, or employment of an Officer, by itself, does not create a contract between the Cooperative and the Officer. An Officer's resignation or removal does not affect the Cooperative's contract rights, if any, with the Officer. An Officer's resignation or removal does not affect the Officer's contract rights, if any, with the Cooperative.

SECTION 6.15 Authority to Execute Documents

On the Cooperative's behalf, two Required Officers may sign, execute, and acknowledge a document properly authorized or approved by the Board or Members. The Board may authorize additional Cooperative officers to sign, execute, and acknowledge a document on the Cooperative's behalf.

ARTICLE VII **INDEMNIFICATION OF OFFICERS, BOARD MEMBERS, EMPLOYEES AND AGENTS**

SECTION 7.1. Indemnification of Parties to Legal Proceeding

- (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 investigation (other than an action by, or in the right of the Cooperative) by reason of the fact that such person is or was a Board member, officer, employee, or agent of the Cooperative or who is or was serving at the request of the Cooperative as a Board member, officer, employee, or agent of another Cooperative, association, corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorney's fees), adjustments, fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding; provided such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct of such person was unlawful.
- (3) The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon pleas of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to

any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

SECTION 7.2 Indemnification of Parties to Actions By or In Right of Cooperative

- (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 or suit by, or in the right of, the Cooperative to procure a judgment in its favor by reason of the fact that such person is, or was, a Board member, officer, employee, or agent of the Cooperative, or is, or was, serving at the request of the Cooperative as a Board member, officer, employee, or agent of another Cooperative, association, corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorney's fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith, and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative.
- (2) No indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of the duty of such person to the Cooperative, unless, and only to the extent that the Court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity of such expenses as the court shall deem proper.

SECTION 7.3 Indemnification of Person Successfully Defending

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

SECTION 7.4 Indemnification Determinations

Any indemnification under Sections 7.1 and 7.2 (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case, upon a determination that indemnification of the Board member, officer, employee, or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Sections 7.1 and 7.2. Such determination shall be made:

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

SECTION 7.5 Expenses Advanced

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

SECTION 7.6 Rights of Persons Indemnified

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw, agreement, vote of members or disinterested Board members, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Board member, officer, employee, or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 7.7 Insurance Coverage

The Cooperative may purchase and maintain insurance on behalf of any person who is or was a Board member, officer, employee, or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a Board member, officer, employee, or agent of another Cooperative, association, corporation, partnership, joint venture, trust, or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of the status of such person as such, whether or not the Cooperative would have the power to indemnify such person against such liability under the provisions of this Article.

ARTICLE VIII **NON-PROFIT OPERATION**

SECTION 8.1 Capital Credits

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

SECTION 8.2 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 8.3 Patronage Capital in Connection with Furnishing Telecommunications and Information Services

- (1) Accounting for Capital. In the furnishing of telecommunications and information 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 members and to insure that the Cooperative will be operated on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of telecommunications and information services in excess of operating costs and expenses properly chargeable against the furnishing of such services. All such amounts in excess of operating costs and expenses for telecommunications and information services at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as capital.
- (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 telecommunications and information services. The books and records of the Cooperative shall be set up and kept in such manner that at the end of each fiscal year the amount of capital, if any, so furnished by the member for telecommunications and information services is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to the member's account. 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 non-operating margins except those derived from furnishing goods and services other than telecommunications and information services, shall, insofar as permitted by law, be used to offset any losses during the current or any prior fiscal year and, to the extent not needed for that purpose, either:
 - (a) allocated to its member on a patronage basis and any amount so allocated shall be included as part of the capital to be allocated to the accounts of the various classes of members in an equitable manner as approved by the Board, or
 - (b) 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 retirement or subject to general discounts. Before the retirement of any capital credited to member's accounts, the Board, in its sole discretion, shall have the authority to deduct from the member's account any amount owed to the Cooperative by the member.
- (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, or successors in occupancy, in all or in a part of such members' premises served by the Cooperative, unless the Board, acting under policies of general application, shall authorize other types of assignments. Members at any time may assign their capital credits back to the Cooperative and the Cooperative is authorized to negotiate capital credit settlement arrangements with bankrupt patrons.
- (7) Payment Upon Death, Insolvency or Cessation of Operation of a Business or Other Entity. Notwithstanding any other provisions of these Bylaws, the Board, at its discretion, shall have power at any time upon the death of any natural person, or the cessation of a business that has earned capital credits as a corporation, limited liability company, sole proprietorship, partnership or cooperative in the name of said business, or any non-profit entity that has likewise ceased operations, to:
 - (a) transfer the capital credits of such business or entity to the name(s) of the individual owners of said entity; or
 - (b) retire capital credited to any such patron immediately if the legal representative of said patron shall so request in writing; and, provided, that said capital credits have not been assigned to a successor entity; upon such terms and conditions as the Board, acting under policies of general application, and the legal representative of such patron shall agree upon, provided that the financial condition of the Cooperative will not be impaired thereby.

Before payment of capital credits as herein provided, each account shall be checked to determine if (i.) any debts have been written off as uncollectible from the patron; or (ii.) any accounts receivable are due from a patron whose telecommunications services are presently past due or have been disconnected.

- (8) Minimum Accounts. When the capital credits of any member no longer receiving service from the Cooperative comes to a total amount of less than a fixed sum determined by the Board of Directors, the same shall be retired in full with such retirements made only when and at the same time that a general retirement to other members is made. During a general capital credit retirement, no checks shall be issued for less than a fixed amount determined by the Board, and the amount of such unretired capital credits will be retired in the first following year, when the total amount of capital credits qualifying for retirement exceeds that amount set by the Board, including the amount carried over.
- (9) Tax Refunds. All tax refunds made by the United States Government or any of the states in connection with the final or true cost of service as determined by the capital credits allocation process may be held and used by the Cooperative as furnished patronage capital and shall be treated in the same manner as furnished capital set out in this Section of these Bylaws.
- (10) Debts Offset. Regardless of statute of limitations or other time limitation, the Cooperative may recoup, offset, or set off any amount owed to the Cooperative by a member prior to payment of capital credits to the patron or member.

SECTION 8.4 Patronage Capital in Connection With Furnishing Other Services

In the event that the Cooperative should engage in the business of furnishing goods or services other than traditional telecommunications and information services, all amounts received and receivable there from which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those members from whom such amounts were obtained at such time and in such order of priority as the Board shall determine. 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 IX

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

SECTION 9.1 Disposition and Pledging of Property

- (1) The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion in excess of ten percent (10%) of its total assets unless such sale, mortgage, lease, or other disposition or encumbrance is:
 - (a) authorized at a meeting of the then-total members by the affirmative vote cast in person, without proxies, of at least two-thirds (2/3) of the total members of the Cooperative, and
 - (b) authorized by the holders of at least seventy-five percent (75%) of the outstanding indebtedness of the Cooperative, and
 - (c) preceded by a notice of meeting at which such sale, mortgage, lease or other disposition or encumbrance is to be voted on.

- (2) Notwithstanding the foregoing provisions of this Section, the members of the Cooperative may, by the affirmative majority of votes cast in person or by proxy at any meeting of the members, delegate to the Board the power and authority:
- (a) to borrow monies from any source and in any such amounts as the Board may from time to time determine are needed in pursuit of the Cooperative's business purposes, and
 - (b) to mortgage or otherwise pledge or encumber any and all of the Cooperative's property or assets as security therefore, and
 - (c) with respect to other Cooperative organizations only, to sell and lease back all of the Cooperative's property or assets.
- (4) In addition to the foregoing paragraphs of this Section and any other applicable provisions of law or these Bylaws, no sale, lease, lease-sale, exchange, transfer, or other disposition within a single calendar year, of physical plant of the Cooperative with net value in excess of ten percent (10%) of the Cooperative's total assets, based upon the most recent audit of the Cooperative, shall be authorized except in conformity with the following:
- (a) If the Board looks with favor upon any proposal for such sale, lease, lease-sale, exchange, transfer, or other disposition, it shall first cause three (3) independent nonaffiliated appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange, transfer, or other disposition, and as to any other terms and conditions which should be considered. The three (3) independent appraisers shall be designated by a district court resident judge for the judicial district in which the Cooperatives headquarters are located. If such judge refuses to make such designations, they shall be made by the Board.
 - (b) If the Board, after receiving such appraisals (and other terms and conditions which are submitted if any), determines that the proposals should be submitted for consideration by members, it shall first give, by notice in appropriate publications, other Cooperatively-organized entities an opportunity to submit competing proposals. Any interested Cooperatively-organized entity shall be sent copies of any proposals which the Cooperative has already received and copies of the respective reports of the three (3) appraisers. Such other interested Cooperatively-organized entities shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.
 - (c) If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members not less than sixty (60) days before noticing a Special Meeting of the members thereon or, if such be the case, the next Annual Member Meeting, expressing in detail each of any such proposals, and shall call a Special Meeting of the members for consideration thereof and action thereon, which meeting shall be held not less than ten (10) nor more than thirty (30) days after giving the Notice thereof to the members: provided that consideration and action by the members may be given at the next Annual Meeting if the Board so determines and if such Annual Meeting is held not less than ten (10) nor more than thirty (30) days after the giving of notice of such meeting.
 - (d) Any fifty (50) or more members, by so petitioning the Board not less than thirty (30) days prior to the date of such Special or Annual Meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

- (5) The provisions of (1), (2), (3) and (4) above shall not apply to a sale, lease, lease-sale, exchange, transfer, or other disposition to one or more telephone or electric Cooperatives if the substantive or actual legal effect thereof is to merge or consolidate with such other one or more telephone or electric Cooperatives.

SECTION 9.2 Merger or Consolidation

- (1) The Cooperative may consolidate or merge only with an entity operating on a cooperative basis that provides telecommunications service. To consolidate or merge, the Cooperative must comply with this Bylaw.
- (2) To consolidate or merge, the Board must approve an agreement or plan to consolidate or merge (“Consolidation” or “Merger Agreement”) stating the:
 - (a) terms and conditions of the Consolidation or terms and conditions of the Consolidation or Merger;
 - (b) name of each entity consolidating or merging with the Cooperative;
 - (c) name of the new or surviving consolidated or merged entity (“New Entity”);
 - (d) manner and basis, if any, of converting memberships or ownership rights of each consolidating or merging entity into memberships or ownership rights of, or payments from, the New Entity;
 - (e) number of directors of the New Entity, which must equal or exceed (*number*);
 - (f) date of the New Entity’s Annual Meeting;
 - (g) names of New Entity directors who will serve until the New Entity’s first Annual Meeting; and
 - (h) other information required by law.
- (3) Member Approval. To consolidate or merge:
 - (a) after the Board approves a Consolidation or Merger Agreement, two-thirds (2/3) of the total membership must approve the Consolidation or Merger Agreement. Members may approve the Consolidation or Merger Agreement by members voting in person or Mail Ballot.
- (4) Notice. The Directors shall notify the members of a Member Meeting at which members may consider a Merger or Consolidation Agreement. This notice and any material soliciting member approval of the Consolidation or Merger Agreement by members voting in person or Mail Ballot must contain, or be accompanied by, a summary or copy of the Consolidation or Merger Agreement.
- (5) Other Requirements. The New Entity directors named in the Consolidation or Merger Agreement must sign and file articles of Consolidation or Merger in a manner, and stating the information, required by Law. The Cooperative shall comply with all other requirements for consolidation or merger specified by Law.

SECTION 9.3 Dissolution

- (1) The Cooperative may be dissolved by filing, as hereinafter provided, a certificate which shall be entitled and endorsed "Certificate of Dissolution of Red River Rural Telephone Association," and shall state:

- (a) the name of the Cooperative, and if such Cooperative is a corporation resulting from a consolidation as herein provided, the names of all the original corporations or Cooperatives.
 - (b) the date of filing of Certificate of Incorporation, and if such Cooperative is a Cooperative resulting from a consolidation as herein provided, the dates on which the Certificates of Incorporation of the original corporations were filed.
 - (c) that the Cooperative elects to dissolve.
 - (d) the name and post office address of each of its Directors, and the name, title and post office address of each of its officers.
- (2) The Certificate shall be subscribed and acknowledged in the same manner as an original Certificate of Incorporation by the President or a Vice-President, and the Secretary or an Assistant Secretary, who shall make and annex an affidavit, stating that they have been authorized to execute and file such certificate by the votes cast in person of at least two-thirds (2/3) of its total membership voting without proxies and that the dissolution has been authorized by at least seventy-five percent (75%) of the holders of the indebtedness of the Cooperative.
- (3) A Certificate of Dissolution and a certified copy or copies thereof shall be filed in the same place as the original Certificate of Incorporation and thereupon the Cooperative shall be deemed to be dissolved.
- (4) The Cooperative shall continue for the purpose of paying, satisfying, and discharging any existing liabilities or obligations, and collecting or liquidating its assets, and doing all other acts required to adjust and wind up its business and affairs, and may sue and be sued in its corporate name.

SECTION 9.4 Distribution of Surplus Assets on Sale or Dissolution

Any assets remaining after all debts and liabilities of the Cooperative have been paid shall be disposed of pursuant to the provisions of Section 2.4 above; provided, however, that if in the judgment of the Board the amount of such surplus relatively is too small to justify the expense of making such widespread distribution, the Board may, in lieu thereof, donate or provide for the donation of such surplus to one or more non-profit, charitable or educational organizations that are exempt from federal income taxation.

ARTICLE X **FINANCIAL TRANSACTIONS**

SECTION 11.1 Contracts

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

SECTION 11.2 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(s), agent(s), or employee(s) of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

SECTION 11.3 Deposits

All the funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such institutions as the Board may select.

ARTICLE XI **MISCELLANEOUS**

SECTION 12.1 Membership in Other Organizations

The Cooperative may become a member or purchase stock in other profit or nonprofit organizations, associations, partnerships, or joint ventures when the Board finds that the general or long-term interests of its membership will be served by such investments or participation.

SECTION 12.2 Waiver of Notice

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

SECTION 12.3 Rules and Regulations

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

SECTION 12.4 Governing Law

These Bylaws must be governed by, and interpreted under, the laws of the state in which the Cooperative is incorporated.

SECTION 12.5 Titles and Headings

Titles and headings of Bylaws articles, sections and subsections are for convenience and reference, and do not affect the interpretation, construction, or application of a Bylaw article, section or subsection.

SECTION 12.6 Partial Invalidity

When reasonably possible, every Bylaw article, section, subsection, paragraph, sentence, clause, or provision (collectively, "Bylaw Provision") must be interpreted in a manner by which the Bylaw Provision is valid. The invalidation does not alter the fundamental rights, duties, and relationship between the Cooperative and members, and does not invalidate the remaining Bylaw Provisions.

ARTICLE XII **AMENDMENTS**

These Bylaws may be altered, amended, repealed or rewritten by the affirmative vote of not less than a majority of the Directors in office, at any regular or special Board meeting, but only if the notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal, or an accurate summary explanation thereof; provided, however, that the provisions of Section 9.1 relating to a major disposition of the Cooperative's property, and Section 9.2 relating to the dissolution of the Cooperative, may be altered, amended or repealed only by the affirmative vote of not less than

two-thirds (2/3) of all current members of the Cooperative voting in person or by mail. When the Board effects Bylaw changes or revisions for Sections other than 9.1 and 9.2, the specific changes or revisions become effective 30 days after notice is provided to the membership at large.