

Articles of Incorporation And Bylaws of



Bellingham, Minnesota

ARTICLES OF INCORPORATION Of

Farmers Mutual Telephone Company (Cerro Gordo)

ARTICLE I

SECTION 1. The name of this association shall be Farmers Mutual Telephone Company (Cerro Gordo).

SECTION 2. The purpose for which the association is organized and the general nature of its business is to furnish, improve and expand telecommunications and information services on a cooperative basis and for any other lawful purpose.

SECTION 3. The registered office of this association, and its principal place of transacting the business, shall be 301 Second Street South, Bellingham, Lac qui Parle County, Minnesota 56212.

ARTICLE II

The period of duration of this association shall be perpetual.

ARTICLE III

The association shall not have any capital stock. It shall be organized on a membership basis with each member entitled to one vote. Memberships shall be transferable only with the consent and approval of the Board of Directors of the association.

ARTICLE IV

SECTION 1.

(a) In the furnishing of telecommunications and information services this association's operations shall be so conducted that all patrons, members and non-members alike, will furnish capital for the association through their patronage. The association is obligated to account on a patronage basis to all its patrons, members and non-members alike, 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 telecommunications and information services; provided, however, that sums set aside from the association's annual net income for the purpose of creating a capital reserve account pursuant to Minnesota Statutes 308A.701 need not be allocated on a patronage basis. All such amounts at the moment of receipt by the association are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital which the association is obligated to pay by credits to a capital account for each patron. The books and records of the association shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the association shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his, her or its account; provided that individual notice of such amounts shall not be required if the association notifies all patrons of the aggregate amount of such excess from telecommunications and information services and provides a clear explanation of how each patron may compute and determine the specific amounts of capital so credited to the patron's account. All such amounts shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the association corresponding amounts for capital. All other patronage income received by the Association shall be allocated to all patrons on a patronage basis in a manner determined by the Board of Directors.

(b) The losses, if any, incurred during any fiscal year from the furnishing of telecommunications and information services shall be allocated to the patrons, members and non-members alike, on a patronage basis and any amount so allocated shall be included in the determination of the capital credited to the accounts of the patrons as herein provided.

(c) If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the association shall not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. In no event, however, may any such capital be retired unless, after the proposed retirement, the capital of the association shall equal at least forty per cent (40%) of the total assets

of the association.

(d) Upon dissolution, after all capital furnished through patronage by members and former members shall have been retired, and all membership fees have been repaid, the remaining property and assets of the association 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 members and former members on the date of dissolution unless otherwise provided by law.

SECTION 2. Any and all non-patronage amounts received by the Association, insofar as permitted by law and at the discretion of the Board of Directors shall be:

(a) credited to the capital account of each patron on a patronage basis as provided for in Section 1(a) of this Article IV;

(b) reserved as retained earnings which shall not be allocated to the patrons of the association on a patronage basis or be included in the capital credited to the accounts of such patrons as provided for in Section 1(a) of this Article IV; and/or

(c) used for such purpose or purposes as the Board of Directors may from time to time determine.

SECTION 3. The interest of a former member of the association in the property and assets of the association shall not be lost by termination of such membership, whether upon withdrawal, death, cessation of existence, expulsion or otherwise. The association shall at all times maintain adequate records to determine, at any time, the property interest of the current members, former members and patrons.

SECTION 4. The Board of Directors, at its discretion, shall have power at any time upon the death of any patron who is a natural person, if the legal representatives of his or her estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Articles, to retire capital to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representative of such patron's estate shall agree upon; provided, however, that the financial condition of the association will not be impaired thereby.

SECTION 5. Capital credited to the account of each patron shall be assigned only on the books of the association pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the association unless the Board of Directors, acting under policies of general application, shall determine otherwise.

SECTION 6. The patrons of the association, by dealing with the association, acknowledge that the terms and provisions of these Articles of Incorporation and the bylaws of the association shall constitute and be a contract between the association and each patron and both the association and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article shall be called to the attention of each patron of the association by posting in a conspicuous place in the association's office.

ARTICLE V

SECTION 1. The government of this association and the management of its affairs and business shall be vested in a Board of Directors consisting of seven (7) members, who shall be elected by ballot by the members for such terms as the bylaws may prescribe at the annual meeting of the members, which shall be held at such time and date as may be designated by the Board of Directors.

SECTION 2. No director or former director of this association shall be personally liable to the association or its members for monetary damages for breach of fiduciary duty as a director except:

(a) for a breach of the director's or former director's duty of loyalty to the association or its members;

(b) for acts or omissions not in good faith or that involve intentional misconduct to a knowing violation of the law;

(c) for a transaction from which the director or former director derived an improper personal benefit; or

- (d) for an act or omission occurring prior to the date when this section was adopted by the members of this association.

SECTION 3.

- (a) No employee, officer or director of the association shall serve as a director or member of a committee of an entity other than the association (an "Unrelated Entity") without the prior consent of the Board of Directors. As a condition to granting such consent, the Board of Directors may require that the employee, officer or director request and obtain appropriate directors and officers liability insurance from the Unrelated Entity.
- (b) As an inducement for employees, directors and officers of the association to serve as directors or committee members of Unrelated Entities which benefit or promote the best interests of the association, the association shall reimburse such employees, officers and directors for any costs, expenses or judgments incurred in connection with being named as a defendant in any claim, litigation, or other proceedings arising out of their service as a director or committee member of such Unrelated Entities. If any claim, litigation or proceeding against an employee, officer or director of the association serving at the request as, or who has obtained the association's consent to serve as, a director or committee member of an Unrelated Entity, is covered by any policy of director and officer liability insurance, then the association shall make a claim under such insurance, but if necessary shall reimburse the employee, officer or director for any costs and expenses incurred prior to receipt of insurance proceeds by the association and shall pay any amount of a final judgment which is not covered by insurance proceeds, if applicable.
- (c) If any judgment or proceeding against an employee, officer or director of the association includes a finding that, in connection with his or her service as a director or committee member of an Unrelated Entity, such employee, officer or director has (1) breached his or her duty of loyalty to the association or its members, (2) committed an act or omission that was not in good faith or involved intentional misconduct or a knowing violation of law, or (3) participated in a transaction in which such officer, employee or director or derived an improper personal benefit, then the association, or its insurer if appropriate, shall not be required to pay and shall be entitled to recover from such employee, officer or director any costs, expenses and payments made on his or her behalf in connection with the claim, litigation, or other proceeding in which the judgment or decision was rendered.

SECTION 4.

- (a) If Chapter 308A of Minnesota Statutes hereafter is amended to authorize the further elimination or limitation of liability, then the liability of (i) a director of the association, or (ii) of an employee, officer or director of the association serving at the request as, or who has obtained the association's consent to serve as, a director or committee member of an Unrelated Entity, in addition to the limitation on personal liability provided herein, shall be eliminated or limited to the fullest extent permitted by the amended Chapter 308A of Minnesota Statutes.
- (b) Any repeal or modification of this Article by the members of the association shall be prospective only and shall not adversely affect any limitation, as provided herein, on the personal liability of a director, officer or employee of the association existing at the time of such repeal or modification.
- (c) The provisions of this Article V shall not be deemed to limit or preclude indemnification of a director by the association for any liability of a director which has not been eliminated by the provisions of this Article.

ARTICLE VI

The bylaws of this association may define and fix the duties and responsibilities of the patrons, members and non-members alike, officers, and directors and may also contain any other provision for the regulation of the business and affairs of the association not inconsistent with these Articles of Incorporation or the laws of the State of Minnesota.

BYLAWS Of Farmers Mutual Telephone Company

ARTICLE I MEMBERSHIP

SECTION 1.1. Eligibility.

Any person, firm, association, corporation or body politic or subdivision thereof will become a member of FARMERS MUTUAL TELEPHONE COMPANY (hereinafter called the "Cooperative") upon receipt of telecommunications and information services (hereinafter referred to simply as "services") from the Cooperative. Membership is automatic and instantaneous upon receipt of service; however, each member shall:

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

The status of all memberships shall be as reflected upon the books of the Cooperative and no membership certificates will be issued.

SECTION 1.2. Definition And Classifications.

- (a) Membership in the Cooperative is effected by:
- (1) Procuring the cooperative's central office dial tone, or
 - (2) Providing a continuing periodic telecommunications revenue stream for the cooperative.
- The Board will determine under rules of general application the types and amounts of revenue streams or the types and amounts of patronage that give rise to the privileges and obligations of membership.
- (b) Exchange and interexchange carriers who participate with the Cooperative in the provision of telecommunications services to members are neither members nor
- (c) patrons by virtue of tariffs or division of revenue contracts.
- (d) Each time sharing or interval ownership premise is considered as a single-corporate member. The owner of seasonal, recreational and short—interval rental properties will be deemed to hold the membership.

No member may hold more than one membership in the Cooperative. No membership in the Cooperative shall be transferable, except on the books of the Cooperative and only with the consent and approval of the Board of Directors except as otherwise provided for in these Bylaws.

All memberships in the Cooperative are extended only to individual persons (natural or corporate) who meet the requirements of 1.1. Memberships formerly issued to husbands and wives, previously referred to as joint memberships, will be allowed to continue. However, from the date of this current edition of Bylaws, no new joint memberships will be established. Individual memberships will be freely transferable on the books of the Cooperative between any persons in the same household or corporation upon request in writing. Thus, the term "member" as used in these Bylaws shall refer to an individual but can, on a grandfathered basis, be deemed to include a husband and wife 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 joint membership shall be as follows:

- (1) 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;
- (2) The vote of either separately or both jointly shall constitute one joint vote;
- (3) A waiver of notice signed by either or both shall constitute a joint waiver;
- (4) Notice to either shall constitute notice to both;
- (5) Expulsion of either shall terminate the joint membership;

- (6) Withdrawal of either shall terminate the joint membership;
- (7) Either, but not both, may be elected or appointed as an officer or board member if individually qualified;
- (8) 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. Membership Fees.

The membership fee, if any, shall be determined by the Board at a uniform amount. The Board may dispense with the initial payment of a membership fee, allowing the amount of such membership fee to be taken from the first capital credits accruing to the member's account; however, membership fees taken from accrued capital credits shall not be refunded upon termination of membership but will be paid out under the provisions of the cooperative's general and special capital credit retirement bylaws.

SECTION 1.4. Purchase Of Services.

Each person who applies for service shall, as soon as service is available, take service from the Cooperative. The member shall pay therefore monthly at rates in accordance with either established tariffs as fixed by the Board, or, for the services rendered by other carriers, at the rates which the Cooperative is obliged to bill and collect by contractual arrangements with other carriers. It is expressly understood that amounts received by the Cooperative for all services in excess of cost are furnished by members from the moment of receipt as capital, and each member shall be credited with the capital so furnished as provided in these Bylaws. However, the Cooperative is not obligated to furnish such credits for services which are not billed and -collected by the Cooperative, even when such services are partially rendered over the facilities of the Cooperative. Each member shall pay the above amounts owed by him to the Cooperative as and when the same shall become due and payable.

SECTION 1.5. Termination Of Membership.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. 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.
- (b) 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.
- (c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of any membership fee credited to the member's account; provided, however, that the Cooperative shall deduct, from the amount of the membership fee, the amount of any debts or obligations owed by the member to the Cooperative.

ARTICLE II RIGHTS AND LIABILITIES OF THE COOPERATIVE AND THE MEMBERS

SECTION 2.1. Service Obligations.

- (a) The Cooperative will use reasonable diligence to furnish adequate and dependable services, but it cannot and does not guarantee uninterrupted services, nor will it always be able to provide every service desired by each individual member.
- (b) The members pledge to purchase all services from the Cooperative to the extent that its services are able to meet the members' needs and are competitively priced.

SECTION 2.2. Cooperation Of The Members In The Extension Of Services.

The cooperation of members of the Cooperative is imperative to the successful, efficient, and economical operation of the Cooperative.

Members who are receiving or who are requesting service shall be deemed to have consented to the reasonable use of their real property to construct, operate, maintain, replace or enlarge telephone and/or communications lines, overhead or underground, including all conduit, cables, wires, surface testing terminals, markers and other appurtenances under, through, across, and upon any real property or interest therein owned or leased or controlled by said member for the furnishing of telephone or communication service to said member, or any other member, at no cost to the Cooperative. When requested by the Cooperative, the member 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, after:

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

**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 area served by the Cooperative 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.

Special meetings of the members may be called by resolution of the Board, or upon a written request signed by a majority of the Board members, by the President, or by twenty percent (20%) or more of all the members, and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties served by the Cooperative as designated by the Board and shall be specified in the Notice of the special meeting.

SECTION 3.3. Notice of Members' Meetings.

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 given by the Secretary by publication in a legal newspaper or newspapers published or circulated in the counties served by the Co-op and in a newspaper published in the county in which the Co-op's principal place of business is located at least two (2) weeks previous to the date of such meeting, or by mailing notice thereof to each and every member personally not less than ten (10) days previous to the date of such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Co-op, with postage thereon paid. Notice of special meetings shall be issued within ten (10) days from and after the date of the presentation of the written request mentioned in Section 3.2 of this Article III, and such special meeting shall be held within thirty (30) days from and after the date of the presentation of such request. The incidental or unintended failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any

such meeting.

SECTION 3.4. Postponement of a Meeting of the Members.

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

SECTION 3.5. Quorum.

As long as the total number of members does not exceed 500, 10 percent of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed 500, 50 members present in person shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

SECTION 3.6. Voting.

Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members, provided, however, that such member is a current subscriber or patron as of the date of such meeting. All questions shall be decided by a vote of a majority of the members voting thereon in person or by mail, except as otherwise provided by law, the articles of incorporation or these bylaws. Any member's spouse who is in attendance at a meeting of the members may, if the member is not present at such meeting, cast the vote of such absent member in the same manner as if a written proxy had been given by said member to said spouse.

SECTION 3.7. Voting By Mail.

Any member who is absent from any annual or special meeting of the members may vote by mail on the ballot herein prescribed at any election of any director of the Cooperative and upon any motion, resolution or amendment which the Board of Directors may in its discretion submit to the members for vote by them. The ballot shall be in the form prescribed by the Board of Directors of the Cooperative and shall contain the exact text of the proposed motion, resolution or amendment to be acted upon at such meeting and the date of the meeting; and shall also contain spaces opposite the text of such motion, resolution or amendment in which such member may indicate his or her affirmative or negative vote therein. Such member shall express his or her choice by making an "x" in the appropriate space upon such ballot. Such ballot shall be enclosed in a sealed official envelope provided by the Cooperative, bearing the member's name and address, addressed to the secretary and deposited in the U.S. Mail, postage prepaid, and when received by the secretary of the Cooperative, shall be accepted and counted as the vote of the absent member at such meeting. The failure of any such absent member to receive a copy of any such motion or resolution or ballot shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 3.8. Order Of Business.

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

- (1) Report on the number of members present in person in order to determine the existence of a quorum.
- (2) 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.
- (3) 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.
- (4) Presentation and consideration of reports of officers, directors, and committees.
- (5) Election of directors.
- (6) Unfinished business.
- (7) New business.
- (8) Adjournment.

Notwithstanding the foregoing, the Board or the members themselves may, from time to time, establish a different order of business for the purpose of assuring the earlier consideration of an action upon any item of business, the transaction of which is necessary or desirable in advance of any other item of business; provided that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

**ARTICLE IV
DIRECTORS**

SECTION 4.1. General Powers.

The business and affairs of the Cooperative shall be managed by a Board of seven (7) directors 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. DISTRICTS, ELECTION, AND TENURE OF OFFICE.

The Cooperative shall elect directors from the following districts:

District I. This district shall comprise all members located within the service area of this Cooperative in the townships of Baxter, Camp Release, Cerro Gordo, Lac qui Parle, the south two tiers of sections of Lake Shore South, Madison, Maxwell, Riverside, Ten Mile Lake, and the Cities of Boyd, Dawson and Madison, in Lac qui Parle County, Minnesota.

Two directors shall be elected from this district in accordance with the bylaws.

District II. This district shall comprise all members located within the service area of this Cooperative in the Townships of Agassiz, Hantho, Lake Shore North, the north twenty-four sections of Lake Shore South, Perry, and the Cities of Bellingham and Louisburg, in Lac qui Parle County, Minnesota, and all members located within the service area of this Cooperative in Chippewa County, Minnesota.

Two directors shall be elected from this district in accordance with the bylaws.

District III. This district shall comprise all members located within the service area of this Cooperative in the townships of Arena, Augusta, Walter, Yellow Bank, and the Cities of Marietta and Nassau, in Lac qui Parle County, Minnesota, and the townships of Adam, Alban and Vernon, in Grant County, South Dakota.

Two directors shall be elected from this district in accordance with the bylaws.

District IV. This district shall comprise all members located within the service area of this Cooperative in the townships of Freeland, Garfield, Hamlin, Manfred, Mehurin, Providence, in Lac qui Parle County, Minnesota and the township of Antelope Valley, in Deuel County, South Dakota.

One director shall be elected from this district in accordance with the bylaws.

The directors from each of these districts shall be elected for a term of three years as their current terms expire, or until their successors shall have been elected and shall have qualified. The directors shall be elected by secret ballot at each annual meeting, or in the event of an unopposed candidate by acclamation as provided in Section 4.4. Directors may be elected by plurality vote of the members.

SECTION 4.3. QUALIFICATIONS TO BECOME OR REMAIN A DIRECTOR.

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

- (a) is not a member and bona fide resident in the area served or to be served by the Cooperative; or
- (b) is an employee of the Cooperative or has been an employee of the Cooperative in the last ten years, or is in any way employed by or financially interested in a competing enterprise or a business engaged in selling telephone service or supplies or constructing or maintaining

telephone facilities, other than a business operating on a cooperative non-profit basis for the purpose of furthering rural telephone, provided, however, that the board may grant exceptions for "de minimus" competing enterprise.

- (c) is not a resident of the district to be represented.
- (d) is 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 consanguinity or affinity, to the second degree or less—that is, a person who is either a spouse, child, grandparent, parent, brother, sister, aunt, uncle, nephew, or niece, by blood or in law, of the principal. However, no incumbent Director shall lose eligibility to remain a Director or to be reelected 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) is not in good standing and not current with the Cooperative for telecommunications and information services provided to them.

SECTION 4.4. Nominations and Elections.

It shall be the duty of the board of directors to appoint not less than forty days nor more than seventy days before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five nor more than eleven members who shall be selected from respective districts so as to insure equitable representation. No member of the board of directors may serve on such committee. The committee, keeping in mind the principal of geographical representation, shall prepare and post at the principal office of the Cooperative at least thirty days before the meeting a list of nominations for directors which shall include at least one candidate for each director to be elected from each electing district. Any fifteen or more members acting together may take other nominations by petition not less than twenty days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. The Secretary shall mail with the notice of the meeting a statement of the number of directors to be elected and showing separately the nominations made by the committee on nominations and the nominations made by petition. In the event there is only one candidate for election to a Director position, either by nomination by committee or petition, the Cooperative shall not be required to issue or mail any ballots, or conduct an election for that Director position, and the single candidate shall be deemed elected by acclamation as an unopposed candidate. The notice of the annual meeting of members shall state the name of the candidate elected by acclamation and report of such election by acclamation shall be given to the members at the annual meeting of member. Notwithstanding anything in this Section contained, failure to comply with any of the provisions of this Section shall not affect in any manner whatsoever the validity of any election of directors.

SECTION 4.5. Removal of Director By Members and Resignations.

Any member may bring charges against a director and, by filing with the Secretary, such charges in writing together with a petition signed by at least 20 per centum of the members, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least ten days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, but such directors so elected must reside in the particular district in which the vacancy has occurred.

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 4.6. Vacancies.

Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy

occurring in the board of directors shall be filled by the affirmative vote of a majority of the remaining directors for the un-expired portion of the term, provided, however, that in the event the vacancy is not filled by the board within sixty 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 of nominations, but such directors so elected must reside in the particular district in which the vacancy has occurred.

SECTION 4.7. Compensation.

Board members shall, as determined by resolution of the Board, receive a fixed sum for each day or portion thereof spent on cooperative business, such as attendance at meetings, conferences, and training programs, or performing committee assignments when authorized by the Board. 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. 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. No Board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a Board member receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the Board. 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.

SECTION 4.8. 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 Certificate 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. Further, the Board of Directors may constitute itself into committees for the purpose of studying and making recommendations to the full Board in the course of its decisional processes.

SECTION 4.9. Liability

No director or former director of this Cooperative shall be personally liable to the Cooperative or its members for monetary damages for breach of fiduciary duty as a director except:

- (a) for a breach of the director's or former director's duty of loyalty to the Cooperative or its members;
- (b) for acts or omissions not in good faith or that involve intentional misconduct to a knowing violation of the law;
- (c) for a transaction from which the director or former director derived an improper personal benefit; or
- (d) for an act or omission occurring prior to the date when this section was adopted by the members of this Cooperative.

ARTICLE V **MEETINGS OF THE BOARD**

SECTION 5.1. Regular Meetings.

A regular meeting of the Board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board shall also be held monthly at such time and place in the counties served by the Cooperative as designated by the Board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof. Unless specifically prohibited by law, meetings, regular or special, may be conducted through the use of conference telephone or other communications equipment by means of which all persons participating in the meetings can communicate with each other. Such participation will constitute attendance and presence in person at the meeting of the persons so participating.

SECTION 5.2. Special Meetings.

Special meetings of the Board may be called by the President or by any three (3) Directors, and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as hereinafter provided. The President or Directors calling the meeting shall fix the time and place (which shall be in the counties

served by the Cooperative) 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 Director at least five days previous thereto either personally or by mail, by or at the direction of the secretary, or upon default in duty by the secretary, by the President or one of the Directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, addressed to the Director at his or her address as it appears on the records of the Cooperative, with first-class postage thereon prepaid.

SECTION 5.4. Quorum.

A majority of the Board shall constitute a quorum, provided, that if less than such majority of the Board is present at 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 Directors of the time and place of such adjourned meeting. The act of a majority of the Directors present and voting at a meeting at which a quorum is present shall be the act of the Board.

SECTION 5.5. Unanimous Consent In Writing.

Unless otherwise prohibited by law, Board actions may be taken without a meeting and without a vote if unanimous consent of the Board is obtained in writing setting forth the action taken in detail and the writing is signed by all Directors entitled to vote.

ARTICLE VI **OFFICERS**

SECTION 6.1. Number and Titles.

The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, 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.

SECTION 6.2. Election And Term Of Office.

The officers shall be elected by ballot, if there is a contest, and if not, by voice vote or any other method designated by the person presiding. They shall be elected annually by the Board at the meeting of the Board held immediately after the annual meeting of the members. The President, Vice President, Secretary and Treasurer must be members of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board 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 un-expired portion of the term.

SECTION 6.3. Removal Of Officers And Agents By The Board.

Any officer or agent elected or appointed by the Board may be removed by the Board or by the members for cause related to position whenever, in its judgment, the best interests of the Cooperative will be served thereby. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the Board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity.

SECTION 6.4. President.

The President shall:

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

SECTION 6.5. Vice President.

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

SECTION 6.6. Secretary.

The Secretary shall be responsible for:

- (1) Keeping the minutes of the meetings of the members and of the board in one or more books provided 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 (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of these Bylaws and of all amendments thereto to each member; and
- (6) In general performing all duties incident to the Office of Secretary and such other duties as from time to time may be assigned to him or her by the Board.

SECTION 6.7. Treasurer.

The Treasurer shall be responsible for:

- (1) Custody of all funds and securities of the Cooperative;
- (2) The receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such 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 the authority to appoint employees of the Cooperative to actually carry out the responsibilities set forth in this Section; and
- (3) The general performance of all the duties incident to the Office of Treasurer and such other duties as from time to time may be assigned to him by the Board.

SECTION 6.8. General Manager.

The Board shall appoint a General Manager, who may be, but who shall not be required to be a member of the Cooperative. The General Manager shall perform such duties as the Board may from time to time require and shall have authority as the Board may from time to time vest in him.

SECTION 6.9. Bonds.

The Board shall require the Treasurer and any other officer, agent, or employee of the Cooperative charged with 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 6.10. Compensation.

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

SECTION 6.11. Reports.

The officers of the Cooperative shall submit, at each annual meeting of the members, reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII

CAPITAL CREDITS

SECTION 7.1 Interest Or Dividends On Capital Prohibited.

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

SECTION 7.2. Patronage Capital in Connection With Furnishing Telecommunications And Information Services.

In the furnishing of telecommunications and information services, the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to insure that the Cooperative will be operated on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of 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 patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses 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 patron for telecommunications and information services is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to the patron's account; provided that individual notice of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of the aggregate amount of such excess from telecommunications and information services and provides a clear explanation of how each patron may compute and determine the specific amounts of capital so credited to the patron's account. All such amounts credited to the capital account of any patron shall have the same status as though it has been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital. All other patronage income received by the Cooperative shall be allocated to all patrons on a patronage basis in a manner determined by the Board of Directors.

Any and all non-patronage amounts received by the Cooperative, insofar as permitted by law and at the discretion of the Board of Directors shall be:

- (a) credited to the capital account of each patron on a patronage basis as provided for in this Article VII;
- (b) reserved as retained earnings which shall not be allocated to the patrons of the Association on a patronage basis or be included in the capital credited to the accounts of such patrons as provided for in this Article VII; and/or
- (c) used for such purpose or purposes as the Board of Directors may from time to time determine.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. 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. In no event, however, may any such capital be retired unless, after the proposed retirement, the capital of the Cooperative shall equal at least forty per cent (40%) of the total assets of the Cooperative.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative, pursuant to written instruction from the assignor and only to successors in interest, or successors in occupancy, in all or in a part of such patrons' premises served by the Cooperative, unless the Board, acting under policies of general application, shall authorize other types of assignments. Patrons at any time may assign their capital credits back to the Cooperative and the Cooperative is authorized to negotiate capital credit

settlement arrangements with bankrupt patrons.

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

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract both between the Cooperative and each patron, and further, between all the patrons themselves individually. Both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such term and provisions with the Cooperative and each of its patrons. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office or by publication distributed by the Cooperative to its patrons.

ARTICLE VIII

DISPOSITION AND PLEDGING OF PROPERTY

The Cooperative may at any meeting of its Board of Directors sell, mortgage, lease, or exchange all or any substantial portion in excess of ten percent (10%) of its total assets; merge with or consolidate into another entity that is not a rural telephone or electric cooperative association; dissolve the Cooperative; or file for bankruptcy with the United States Bankruptcy Court upon such terms and conditions as the Board of Directors deems expedient and for the best interests of the Cooperative, when and as authorized by the affirmative vote of at least two-thirds (2/3) of the total members of the Cooperative cast in person at a meeting of the members notice of which includes a clear explanation of the action to be voted upon, and authorized by the holders of at least seventy-five percent (75%) of the outstanding indebtedness of the Cooperative. Notwithstanding anything herein contained the Board of Directors, without authorization by the members, shall have full power and authority to borrow money from the United States of America, or any agency or instrumentality thereof or from any banking or financial institution or corporation established under the authority of the United States of America for financing rural telephone cooperatives and systems and in connection with such borrowing to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbering of any or all the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the Board of Directors may determine. For purposes of this article, a merger with or consolidation into another rural telephone cooperative association shall not be deemed a sale, mortgage, lease or exchange. OTHER PROVISIONS OF THESE BYLAWS NOTWITHSTANDING, ANY REPEAL, AMENDMENT, OR ALTERATION OF THIS ARTICLE THAT WOULD RESULT IN A CHANGE IN THE MEMBER APPROVAL REQUIREMENTS FOR ACTS DESCRIBED HEREIN, MUST BE APPROVED BY A TWO-THIRDS (2/3) VOTE OF ALL OF THE MEMBERS OF THE COOPERATIVE.

ARTICLE IX

SEAL

The Corporate Seal of the Cooperative shall be in the form of a circle, and shall have inscribed thereon the name of the Cooperative and the words, "Corporate Seal Minnesota".

ARTICLE X

FINANCIAL TRANSACTIONS

SECTION 10.1. 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 10.2. 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 10.3. 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.

SECTION 10.4. Change in Rates.

Written notice shall be given to the Administrator of the Rural Electrification Administration of the United States of America not less than ninety days prior to the date upon which any proposed change in the rates charged by the Cooperative for telephone service becomes effective.

SECTION 10.5. Fiscal Year.

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

**ARTICLE XI
MISCELLANEOUS**

SECTION 11.1. Membership in Other Organizations.

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

SECTION 11.2. Waiver of Notice.

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

SECTION 11.3. Rules and Regulations.

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

SECTION 11.4. Accounting System and Reports.

The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of RUS of the United States of America. The Board shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Co-op as of the end of such fiscal year. Such audit reports shall be submitted to the members at the next following annual meeting.

SECTION 11.5

- (a) No employee, officer or director of the association shall serve as a director or member of a committee of an entity other than the Cooperative (an "Unrelated Entity") without the prior consent of the Board of Directors. As a condition to granting such consent, the Board of Directors may require that the employee, officer or director request and obtain appropriate directors and officers liability insurance from the Unrelated Entity.
- (b) As an inducement for employees and directors and officers of the Cooperative to serve as directors or committee members of Unrelated Entities which benefit or promote the best interests of the Cooperative, the Cooperative shall reimburse such employees, officers and directors for any costs, expenses or judgments incurred in connection with being named as a defendant in any claim, litigation, or other proceedings arising out of their service as a director or committee member of such Unrelated Entities. If any claim, litigation or proceeding against an

employee, officer or director of the Cooperative serving at its request as, or who has obtained the Cooperative's consent to serve as, a director or committee member of an Unrelated Entity, is covered by any policy of director and officer liability insurance, then the Cooperative shall make a claim under such insurance, but if necessary shall reimburse the employee, officer or director for any costs and expenses incurred prior to receipt of insurance proceeds by the Cooperative and shall pay any amount of a final judgment which is not covered by insurance proceeds, if applicable.

- (c) If any judgment or proceeding against an employee, officer or director of the Cooperative includes a finding that, in connection with his or her service as a director or committee member of an Unrelated Entity, such employee, officer or director has (1) breached his or her duty of loyalty to the Cooperative or its members, (2) committed an act or omission that was not in good faith or involved intentional misconduct or a knowing violation of law, or (3) participated in a transaction in which such officer, employee or director or derived an improper personal benefit, then the Cooperative, or its insurer if appropriate, shall not be required to pay and shall be entitled to recover from such employee, officer or director any costs, expenses and payments made on his or her behalf in connection with the claim, litigation, or other proceeding in which the judgment or decision was rendered.

SECTION 11.6.

- (a) If Chapter 308A of Minnesota Statutes hereafter is amended to authorize the further elimination or limitation of liability, then the liability of (i) director of the Cooperative, or (ii) of an employee, officer or director of the Cooperative serving at its request as, or who has obtained the Cooperative's consent to serve as, a director or committee member of an Unrelated Entity, in addition to the limitation on personal liability provided herein, shall be eliminated or limited to the fullest extent permitted by the amended Chapter 308A of Minnesota Statutes.
- (b) Any repeal or modification of this Article by the members of the Cooperative shall be prospective only and shall not adversely affect any limitation, as provided herein, on the personal liability of a director, officer or employee of the Cooperative existing at the time of such repeal or modification.
- (c) The provision of Sections 11.5 and 11.6 shall not be deemed to limit or preclude indemnification of a director by the Cooperative for any liability of a director which has not been eliminated by the provisions of this Article.

**ARTICLE XII
AMENDMENTS**

Except as provided in Article VIII hereof, these Bylaws may be altered, amended, or repealed by the members, at any regular or special 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.