BYLAWS OF
RESERVATION TELEPHONE COOPERATIVE

ARTICLE I
MEMBERSHIP

SECTION 1.1 Eligibility

Any person, trust, firm, association, corporation, limited liability company, partnership, limited liability partnership or body politic is eligible to become a member upon receipt of retail local exchange telephone services or broadband services from the Cooperative and the execution of a membership application in the form prescribed by the Board of Directors and kept on file at the Cooperative headquarters.

1. Such application shall include an agreement:

    a. To purchase retail local exchange telephone service or broadband service from the Cooperative as an end user of such services, 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 and regulations adopted by the Board; and

    c. To pay any membership fee established by the Board.

2. Purchasers of the Cooperative's services at wholesale or otherwise for resale shall not be eligible for membership or patronage credits with respective to such wholesale or resale service.

3. Membership will become effective on the date of commencement of service. Membership eligibility terminates upon disconnection of service; however, the Board may provide for suspension of service during a period of temporary absence of a member.

SECTION 1.2 Definition and Classification

The Cooperative may have one or more classes of members in order to recognize differences in contributions to margin of different classes. If the Board establishes more than one class of membership, it shall determine the definitions, the types, the qualifications, and rights of each class.

1. No member may hold more than one membership of each class in the Cooperative. No membership in the Cooperative shall be transferable, except on the books of the Cooperative and as provided for in these Bylaws.

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. The term “member” as used in these Bylaws, shall include a husband and wife and shall also include two or more persons living in the same household. Provisions in the Articles of Incorporation and these Bylaws and the statutes of North Dakota relating to the rights and liabilities of membership shall apply equally with respect to joint membership.

4. Joint membership shall for all purposes be considered as one member and shall have one vote; one right to petition; be entitled to one notice; subject to expulsion and only one of the joint membership may serve as an officer, committee member or director;

    a. A waiver of notice signed by any person shall constitute a joint waiver.

    b. Notice to any person shall constitute notice to all.

    c. Expulsion of any person may constitute expulsion of all.

    d. Withdrawal of any person may terminate the joint membership.

SECTION 1.3 Conversion of Membership

Upon the withdrawal, death, or expulsion of a person who is a party to a joint membership, the surviving joint member or members shall on the records of the Cooperative, hold the membership. In the event that there is a single survivor, the membership shall be converted to an individual membership. Conversion of membership in any manner shall not release a person or their 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.

SECTION 1.4 Termination of Membership

Upon the death of a natural person, 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 their 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.

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 service, 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 operations 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-liabilities 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 Interests of Members upon Dissolution

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, time, and place within the State or 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

Special meetings of the members may be called by resolution of the Board, by the President, or by not less than twenty percent (20%) of all of the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the exchanges 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

Written or printed notice stating the place, day, and time 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) calendar days before the date of the meeting, either in person or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed 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 President, Vice President or the Board may postpone the meeting of the members. The President in any media of general circulation or broadcast serving the area shall give notice of the postponed meeting.

SECTION 3.5 Quorum

Business may not be transacted at any meeting of the members unless there are at least fifty (50) members present (in any form), if less than a quorum is present at any meeting, a majority of those present (in any form) 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 any form.

SECTION 3.6 Voting at Meetings

Each member shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the members. An individual member is limited to a maximum of one (1) natural member and one (1) unnatural member vote. 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. All issues with respect to voting shall be governed according to the latest edition of Robert's Rules of Order used by the Cooperative unless otherwise specified by law or the Articles of Incorporation.

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 except in the election of directors, which would require a majority 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.

SECTION 3.7 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 any form 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 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. Audit report of outside auditors, or a summary thereof.

5. Election of board members.

6. Presentation and consideration of reports by officers, management, and committees.

7. Unfinished business.

8. New business.

9. 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.

SECTION 3.8 Credentials Committee

The President shall, before any meeting of the members, appoint a Credentials Committee. The Credentials Committee shall consist of 3 members. The President shall appoint the Credentials Committee Chairman. It shall be the responsibility of the Credentials Committee to pass upon all questions that may arise with respect to the registration of members. The Credentials Committee's decisions shall be final.

SECTION 3.9 Election Committee

The President shall, before any meeting of the members, appoint an Election Committee. The Election Committee shall consist of not less than five (5) or more than nine (9) members who are not existing Cooperative employees, agents, officers, directors or known candidates for directorship. The Election Committee shall, by a majority vote thereof, resolve any question that arises at the meeting concerning the election of directors or balloting. It shall be the responsibility of the Election Committee 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 Election Committee shall have available to it the advice of counsel provided by the Cooperative. The Election Committee's decisions shall be final.

ARTICLE IV
BOARD OF DIRECTORS

SECTION 4.1 General Powers

The business and affairs of the Cooperative shall be managed by a Board of Directors which shall exercise all of the powers of the Cooperative except those restricted 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. In the event there is no competition for a position, the director candidate nominated may be elected by voice vote. Directors 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 Director Districts

The Cooperative is divided into seven director districts and from each shall be elected one director to the Board by the members present.

The director districts are set forth as follows:

District 1A Consists of the Alexander, Arnegard, Beach, East Fairview, Homesteaders Gap, Keene, Medora,and Watford City, ND and West Fairview and Wibaux, MT exchanges.

District 1B Consists of the Alexander, Arnegard, Beach, East Fairview, Homesteaders Gap, Keene, Medora,and Watford City, ND and West Fairview and Wibaux, MT exchanges.

District 2A Consists of the Mandaree, New Town and Ross exchanges.

District 2B Consists of the Mandaree, New Town and Ross exchanges.

District 3 Consists of the Kenmare, Norma, Spencer and Stanley exchanges.

District 4 Consists of the Makoti, Parshall, Plaza, Roseglen and Ryder exchanges.

District 5 Consists of the Douglas, Emmet, Garrison and Max exchanges.

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

1. Any member shall be eligible to be nominated, elected, and remain a director of the Cooperative provided that the member:

    a. Resides in the geographic area from which the member is elected, and has resided there for more than two hundred and forty (240) calendar days during the last twelve (12) month period.

    b. Is not an 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 a competing enterprise is material.

    c. Has not been an employee of the Cooperative in the past three years. A former employee's spouse is also disqualified during this three-year period.

    d. Is not closely related to a Director of the Cooperative. As used here, "closely related", includes in the first degree – spouse, child, adopted child, child of spouse, grandparent, parent, brother, sister, aunt, uncle, cousin, nephew or niece, by blood or in-law of the principal.

    e. Is not closely related to an employee of the Cooperative. As used here, "closely related", includes in the first degree – spouse, child, adopted child, child of spouse, grandparent, parent, brother, sister, aunt or uncle, by blood or in-law of the principal.

    f. Is not a convicted felon of any State or Federal crime.

2. Subsection 1(d) shall not apply to "closely related" members of a Director, if the same Director, who is up for re-election, notifies the RTC Board of Directors, at least fifteen (15) calendar days prior to the meeting of the Nominating Committee, that he/she is not a candidate for re-election.

3. A Director shall not lose eligibility to remain a director or to be re-elected as a director if he/she becomes a close relative of another director or a cooperative employee because of a marriage to which he/she was not a party; neither shall an employee lose eligibility to continue in the employment of the Cooperative if he/she becomes a close relative of a director because of a marriage to which he/she was not a party.

4. To remain a director, the incumbent must attend two-thirds (2/3) or more of the regular meetings during each twelve (12) month period, beginning with the month of his/her election. 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 may be deemed vacant.

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

SECTION 4.5 Nomination

1. It shall be the duty of the Board to appoint, not less than ninety (90) calendar days nor more than one hundred twenty (120) calendar 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 six (6) or more than nine (9) members. At least one (1) member of the committee shall be selected from each geographic area where a director is to be elected. No director of the Board, close relative of a director, or employee may serve on such committee. The committee shall prepare and post at the principle office of the Cooperative, at least eighty (80) calendar days before the meeting, a list of nominations for director(s) which shall include as many nominees for each Board position as the committee deems desirable. For the purpose of this section, close relative includes mother, father, husband, wife, sister, brother or child by blood, by marriage or by adoption, and spouses of the foregoing.

2. The Secretary shall be responsible for mailing with a Notice of the Meeting, or separately, but at least ten (10) calendar days before the date of the meeting, a statement of the number of directors to be elected and the names and addresses of the candidates nominated by the committee on nominations.

3. Any fifteen (15) or more members acting together may make other nominations by petition and the Secretary shall place such nominations at the same place where the list of nominations made by the committee is posted. Nominations made by petition, if any, must be received at least seventy (70) calendar days before the meeting. Such ballot shall arrange the names of the candidates by geographic area and shall also designate the candidates nominated by the committee and those nominated by petition. The petition, at a minimum, shall include full name, as stated on application, phone number and current address.

4. Incumbent directors must be re-nominated by the committee or by petition to be re-elected.

SECTION 4.6 Election of Directors

1. Contested elections of directors shall be by a form of printed or electronic ballot. The ballot shall list the names of the candidates nominated by the committee and by petition with such names arranged by districts.

2. The member must select the name they wish to vote for.

3. Each member of the Cooperative present in any form (in person, virtual, electronic or mail-in ballot) at the meeting shall be entitled to vote for one (1) candidate from each district from which a director is to be elected. Members may vote by mail or electronically in a/any year the board of directors allow for this method of voting. The candidate from each district from which a director is to be elected receiving a majority of votes cast for that office at such meeting shall be declared elected as a director. Failure of an election for a given year shall allow the incumbent director whose directorship would have been voted on to hold over only until the next member meeting at which a quorum is present.

SECTION 4.7 Removal of a Director by Members and Resignations

1. Any member may bring charges against a director which shall specify malfeasance or nonfeasance of the duties and responsibilities of the position. Such charges shall be in writing and filed with the Secretary together with a petition signed by at least twenty percent (20%) of the members, and may request the removal of such director by reason thereof. The petition, at a minimum, shall include full name, as stated on application, phone number and current address.

2. Such director shall be informed in writing of the charges at least ten (10) calendar 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 the director 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. No director shall be removed from office unless by a vote of two-thirds (2/3) of the members present.

3. A director may resign at any time by written notice delivered to the Board of Directors, the President, or the 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, a vacancy occurring in the Board shall be filled by the affirmative vote of the majority of the remaining Board for the unexpired portion of the term, provided however, that in the event the vacancy is not filled by the Board within ninety (90) calendar 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 district as the vacant directorship and have the same qualifications for office as set forth in Section 4.4.

SECTION 4.9 Compensation and Benefits of Directors

1. Directors 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, directors 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. Directors 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 the benefits based on salary.

3. No director shall receive compensation for service from the Cooperative in any other capacity.

ARTICLE V
MEETINGS OF THE BOARD

SECTION 5.1 Meetings

1. A reorganization meeting of the Board shall be held without notice, immediately after the annual meeting of the members.

2. A minimum of at least eight (8) meetings shall be held each year at such time and place as designated by the Board.

3. Meetings 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 date, time and place for the holding of the meeting.

SECTION 5.3 Notice of Board Meeting

Written notice of the date, time, place, (or telecommunications conference event) and purpose of any special meeting of the Board shall be delivered to each director personally, by mail, or electronic delivery 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 the address as it appears on the records of the Cooperative, with first-class postage thereon prepaid, at least five (5) calendar days before the date set for the meeting; unless an emergency exists, and in such case, notice of such meeting shall be reasonable under the circumstances then existing. If notice is sent by fax or E-mail a verification message indicating a successful transmission should be recorded and filed.

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 director of the time and place of such adjourned meeting. The act of a majority of the Board 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. Directors may not vote by proxy at regular or special board meetings.

SECTION 5.5 Unanimous Consent in Writing

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

ARTICLE VI
OFFICERS

SECTION 6.1 Numbers and Titles

The officers of the Cooperative shall be President, Vice President, and Secretary-Treasurer and such other officers as may be determined by the Board from time to time.

SECTION 6.2 Election and Term of Office

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.

2. 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

Any officer or agent elected or appointed by the Board may be removed by the majority vote of the Board for cause related to the performance of the duties of the position whenever, in the Board's 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) calendar 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 the officer shall have the same opportunity.

SECTION 6.4 President

The President shall:

1. Be the chairman of the Cooperative 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

In the absence of the President, or in the event of the President's 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

placed upon the President. The Vice President shall also perform such other duties as from time to time may be assigned by the Board.

SECTION 6.6 Secretary-Treasurer

The Secretary-Treasurer shall be responsible for:

1. Keeping the minutes of the meetings of the members and of the Board in books prepared for the purpose;

2. Seeing that all notices are duly given in accordance with these Bylaws or as required by law;

3. The safekeeping of the Cooperative 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 all amendments thereto to each member; and

6. Custody of all funds and securities of the Cooperative;

7. 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 Secretary-Treasurer shall have authority, with the approval of the Board, to delegate to the Chief Executive Officer the authority to appoint employees of the Cooperative to actually carry out the responsibilities set forth in this Section; and

8. The general performance of all the duties incident to the Office of Secretary-Treasurer and such other duties as from time to time may be assigned to the Secretary-Treasurer by the Board; provided, however, with respect to the duties and responsibilities of the Secretary-Treasurer the Cooperative shall indemnify and hold the Secretary-Treasurer, harmless against any and all losses, claims and/or damages which may be asserted against the Secretary-Treasurer, in the Secretary-Treasurer official capacity, unless such claim is a result of an act personally committed or omitted by the Secretary-Treasurer resulting in loss to the Cooperative.

SECTION 6.7 Chief Executive Officer (CEO)

The Board shall appoint a CEO to serve as General Manager and Chief Operations Manager, who may be, but who shall not be required to be a member of the Cooperative. The CEO 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 the CEO.

SECTION 6.8 Bonds

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

SECTION 6.9 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 6.10 Reports

The officers of the Cooperative or their designee 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 each fiscal year.

ARTICLE VII
INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS

SECTION 7.1 Indemnification of Parties to Legal Proceedings

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 director, officer, employee, or agent of the Cooperative or who is or was serving at the request of the Cooperative as a director, officer, employee, or agent of another cooperative, association, corporation, partnership, joint venture, trust, or other enterprise, against expenses, (including 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.

2. 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 director, officer, employee, or agent of the Cooperative, or is, or was, serving at the request of the Cooperative as a director, officer, employee, or agent of another cooperative, association, corporation, partnership, joint venture, trust, or other enterprise, against expenses (including 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 as such expenses as the court shall deem proper.

SECTION 7.3 Indemnification of Person Successfully Defending

To the extent that a director, officer, employee, or agent of the Cooperative has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Section 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 Section 7.1, 7.2, or 7.3 (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case, upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 7.1, 7.2 or 7.3. Such determination shall be made:

1. By the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit, or proceedings; or

2. If such a quorum is not obtainable, or if obtainable, if a majority of directors who were not parties to such action, suit or proceedings so directs, by independent legal counsel in 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 director, officer, employee, or agent to repay such amount, unless it shall ultimately be determined that the individual 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 directors, or otherwise, both as to action in the person's 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 director, 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 director, officer, employee, or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, employee, or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any 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 Services

1. **Accounting for Capital.** In the furnishing of Cooperative 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 patronage and 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 Cooperative 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 the Cooperative 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 Cooperative services. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by the member for Cooperative 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 members 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.

3. **Allocating Non-Operating Margins.** All non-operating income derived from furnishing goods and services from other than telecommunication services shall be returned to the general fund and used to determine a margin or loss.

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 member 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.

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 part of such member's 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. No capital credits shall be paid to the member until all obligations to the Cooperative have been satisfied.

7. **Payment Upon Death.** Notwithstanding any other provisions of these Bylaws, the Board, at its discretion, shall have the power at any time upon the death of any natural person or the death of any person who is a party to a joint membership, if the legal representative of any estate shall request in writing, that the capital credited to any such member be retired prior to the time such capital would be retired in a general retirement under provisions of these Bylaws, to retire capital credited to any such member immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representative of such member's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby and that any obligation of the member shall be satisfied before the capital credit retirement is made.

8. **Minimum Accounts.** 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 services as determined by the capital credit 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. **Contracts.** 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, between all members themselves individually. Both the Cooperative and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions with the Cooperative and each of its members.

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 telecommunication services, all amounts received and receivable therefrom 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 returned to the general fund and used to determine a margin or loss or used to establish and maintain a nonoperating margin reserve not assignable to members prior to dissolution of the Cooperative.

SECTION 8.5 Losses Prior Years

All or any part of the capital credits may be applied to losses incurred in prior years.

ARTICLE IX
DISPOSITION AND PLEDGE OF PROPERTY DISSOLUTION AND DISTRIBUTION OF SURPLUS ASSETS UPON DISSOLUTION

SECTION 9.1 Disposition and Pledge of Property

1. The Cooperative may not sell, transfer, or convey, within the period of any single calendar year, physical plant in excess of five percent (5%) in value of the Cooperative, based upon the most recent audit of the books of the Cooperative, unless consent therefore shall have been obtained by a vote of not less than two-thirds (2/3) of the entire membership of the Cooperative cast at any regular or special meeting called for the purpose, after notice in writing to all the membership of the Cooperative not less than ten (10) nor more than thirty (30) calendar days prior to the date of such meeting.

2. Supplementary to the foregoing paragraph 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 five percent (5%) 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. A District Court Resident Judge for the Judicial District in North Dakota in which the Cooperative headquarters are located shall designate the three (3) independent appraisers. If such Judge refuses to make such designations the Board shall make them.

    b. If the Board, after receiving such appraisals (and other terms and conditions which are submitted, if any) determines that the proposal should be submitted for consideration by members, it shall first give every other rural telecommunications cooperative corporately sited and operating in North Dakota (which has not made such an offer for such sale, lease, lease-sale, exchange, transfer or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such rural telecommunications cooperative, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three (3) appraisers. Such rural telecommunications cooperatives shall be given not less than thirty (30) calendar 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) calendar 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) calendar 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) calendar 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) calendar 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 proposals that have been submitted or any recommendations that the Board had made.

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

4. Notwithstanding the foregoing provisions of this Section, the Board may, by the affirmative majority of votes cast at a board meeting:

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.

SECTION 9.2 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
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”, and “North Dakota”.

ARTICLE XI
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 evidence 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 XII
MISCELLANEOUS

SECTION 12.1 Fiscal Year

The Cooperative’s fiscal year for financial reporting and for federal income tax purposes shall be the calendar year.

SECTION 12.2 Membership in other Organizations

The Cooperative may become a member or purchase stock in other profit or non-profit 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 12.3 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 12.4 Rules, Regulations, Rate Schedules and Contracts

The Board 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 for aid of construction, not inconsistent with the law, 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 12.5 Accounting Systems and Audits

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 Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the next following annual meeting. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

ARTICLE XIII
AMENDMENTS

These Bylaws may be altered, amended or repealed by a vote of two-thirds of the board members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. Any such alteration, amendment or repeal shall be certified by a majority of the board members and the Secretary of the Cooperative and copied in the book of Bylaws together with the date of such meeting. No such alteration, amendment or repeal shall take effect until so copied.