



**Consolidated®**

**TELCOM**

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**By-Laws**

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**Approved and Amended  
By the  
MEMBERSHIP  
As of  
June 2022**

# **BY-LAWS OF CONSOLIDATED TELCOM**

## **ARTICLE I MEMBERSHIP**

### **SECTION 1. REQUIREMENTS FOR MEMBERSHIP.**

Any person, firm, partnership, association, corporation, limited liability company, government or political subdivision may become a member of Consolidated Telcom (hereinafter called the "Cooperative") by subscribing to retail local exchange telephone, broadband Internet or video services at a premise within the Cooperative's established service area and executing a membership application upon such terms as the Board of Directors may prescribe.

Such application shall include an agreement:

- (a) to purchase telephone, broadband Internet or video services from the Cooperative as an end user of such services, in accordance with its the rates, terms and conditions; and
- (b) to comply with and be bound by the Articles of Consolidation, Articles of Amendment, Articles of Merger and By Laws of the Cooperative, and any Amendments thereto, and any rules and regulations adopted by the Board of Directors, (hereinafter) called the "Board".

The failure to claim any cash retirement of capital credits or other payment from the Cooperative within two years after payment has been made available to the member shall constitute the member's consent to surrender, relinquish and convey such member's capital credit or other payment to the Cooperative. Failure to claim any payment includes the member's failure to cash any check that the Cooperative mailed to the member at the last address the member furnished the Cooperative. The member's consent to this surrender, relinquishment and conveyance, however, only becomes effective 60 days after the Cooperative has given the member notice by mail and publication that unless payment is claimed within 60 days, then the surrender, relinquishment and conveyance of such payment to the Cooperative, as provided in the By-Laws, shall take effect. The notice by mail shall be mailed to the member's last known address, and the notice by publication shall be published for two consecutive weeks in a newspaper or circulated in the Cooperative's service area. The member's consent will only take effect 60 days after the mailing of the notice or the last date of publication, whichever is later.

Exchange, interexchange or wireless carriers who participate with the Cooperative in the provision of telecommunications services are not members by virtue of such activity. Purchasers of the cooperative's services at wholesale, or otherwise for resale, are not eligible for membership with respect to those services.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these By-Laws.

Members shall be permitted to assign their Capital Credits to a revocable living trust.

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

## **SECTION 2. JOINT MEMBERSHIP.**

Any legally married couple may apply for a joint membership and, subject to their compliance with the requirements of Section 1 of this Article, may be accepted for such membership. The term Member as used in these By-Laws shall be deemed to include a legally married couple 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 following specified actions by holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either, but not both, may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

## **SECTION 3. CONVERSION OF MEMBERSHIP.**

A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and spouse to comply with the Articles of Consolidation, Articles of Amendment, Articles of Merger and By-Laws of the Cooperative, and any Amendments thereto, and rules and regulations adopted by the Board.

Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joined; provided, that the estate of the deceased spouse shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues to occupy or use the premises covered by such membership, in the same manner and to the same effect as though such membership had never been joined; provided that the other spouse shall not be released from any debts due the Cooperative and the patronage credits shall be divided one-half to each party unless otherwise ordered by the court or by agreement of the parties.

## **SECTION 4. MEMBERSHIP FEE.**

There shall be no membership fee. Any membership fee previously collected and credited to a member shall be considered donated capital.

**SECTION 5. PURCHASE OF SERVICE AND APPLICATION OF PAYMENTS TO ALL ACCOUNTS.**

The Cooperative shall use diligent efforts to furnish its members with adequate and dependable services, although it cannot and does not guarantee continuous and uninterrupted service; and each member shall, as soon as service is available, purchase service from the Cooperative in accordance with the rates as fixed by the Board. Each member shall pay all amounts owed the Cooperative when such amounts become due and payable. If a member has more than one service connection from the Cooperative, any payments shall be allocated and credited on a pro rata basis to all of the member's outstanding accounts, notwithstanding that the Cooperative's actual accounting procedures may not reflect this allocation and proration. It is expressly understood that amounts paid for services in excess of costs are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these By-Laws.

**SECTION 6. TERMINATION OF MEMBERSHIP.**

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 two-thirds of all the members of the Board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, By-Laws, or rules and regulations adopted by the Board, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten (10) 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. The membership of a member who for a period of thirty (30) days after service is available to him has not permitted the installment of service, or of a member who has ceased to purchase service from the Cooperative service may be cancelled.

Upon withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

**ARTICLE II  
RIGHTS AND LIABILITIES OF MEMBERSHIP**

**SECTION 1. PROPERTY INTEREST OF MEMBERS.**

Upon dissolution, after: (a) all debts and liabilities of the Cooperative shall have been paid, (b) all capital furnished through patronage shall have been retired as provided in these By-Laws, 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 bears to the total patronage of all members during the ten (10) years next preceding the date of filing of the Certificate of Dissolution.

**SECTION 2. 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 3. MEMBER'S WIRING OF PREMISES AND INDEMNIFICATION.**

Any member who chooses to wire their own premises shall indemnify the Cooperative and its employees, agents, and independent contractors against death, injury, loss or damage resulting from said wiring and all apparatuses connected thereto or used thereon. Each member shall make available to the Cooperative a suitable place, as determined by the Cooperative, for the Cooperative's physical facilities and equipment. Members shall permit the Cooperative's authorized employees, agents, and independent contractors to have safe access to the premises for installation, inspection, maintenance, replacement, relocation, repair, or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each member shall not interfere with, impair the operation of, or cause damage to such facilities, and each member shall, to the extent possible, prevent others from doing so.

**ARTICLE III  
MEETING OF MEMBERS**

**SECTION 1. ANNUAL MEETING.**

The annual meeting of members shall be held each year, the exact day and time to be set by the Board of Directors, at such place within the Counties of Adams, Billings, Bowman, Dunn, Hettinger, McKenzie, Slope, and Stark in North Dakota, and the Counties of Harding and Perkins in South Dakota, as selected by the Board and which shall be designated in the Notice of the Meeting, for the purpose of electing Board members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to 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.

**SECTION 2. SPECIAL MEETINGS.**

Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any four (4) Board members, by the President, or by not less the one-fifth (1/5) of all 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 the Counties of Adams, Billings, Bowman, Dunn, Hettinger, McKenzie, Slope, and Stark in North Dakota, and the Counties of Harding and Perkins in South Dakota and shall be specified in the Notice of the Special Meeting.

### **SECTION 3. NOTICE OF MEMBERS' MEETING.**

Written or printed notice, stating the place, day and hour of the meeting, and, in case of a special meeting or an annual meeting at which business requiring special notices to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) days before that date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in the duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The 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 such meeting.

### **SECTION 4. QUORUM.**

A quorum shall be at least fifty (50) members present in person or represented by signed vote. Members represented by signed vote may be counted in computing a quorum only on those questions as to which the signed vote is taken. 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.

### **SECTION 5. VOTING.**

Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. Voting may be conducted in person, by official mail in ballot or by official electronically submitted ballot, the exact voting options for each meeting to be determined by the Board of Directors and set forth in the Notice of Meeting. All questions shall be decided by a vote of a majority of the members voting thereon, except as otherwise provided by law, the Articles of Incorporation or these By-Laws.

### **SECTION 6. ORDER OF BUSINESS.**

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

1. 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 due publication of mailing thereof, or the Waiver or Waivers of Notice of the Meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, Board members and committees.
5. Election of Board members.
6. Unfinished business.
7. New Business.
8. Adjournment.

# **ARTICLE IV**

## **BOARD MEMBERS**

### **SECTION 1. GENERAL POWERS.**

The business and affairs of the Cooperative shall be managed by a Board of seven (7) members who shall exercise all of the powers of the Cooperative except those that are conferred upon or reserved to the members by law, the Articles of Consolidation, Articles of Amendment, Articles of Merger or By-Laws of the Cooperative, or any Amendments thereto.

### **SECTION 2. QUALIFICATIONS.**

In order to insure equitable geographical representation on the Board the area served by the Cooperative is hereby divided into seven (7) districts, to coincide with the seven (7) Board members, which are hereby numbered and described as follows:

- District No. 1 - The area served by the Halliday, Dodge, Dunn Center and Manning Exchanges.
- District No. 2 - The area served by the Grassy Butte and Killdeer Exchanges.
- District No. 3 - The area served by the South Heart, New England and Amidon Exchanges.
- District No. 4 - The area served by the Rhame, Reeder, and Scranton Exchanges.
- District No. 5 - The area served by the Bowman and Ladd Exchanges.
- District No. 6 - The area served by the Regent and Hettinger Exchanges.
- District No. 7 - The area served by the Richardton and Mott Exchanges.

No person shall be eligible to become or remain a Board member unless such person shall be a bona fide resident of the district from which they are elected to serve. Each of the above described districts will be entitled to one member on the Board of Directors.

In addition to the foregoing qualifications, no person shall be eligible to become or remain a Board member in 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 employed by or has a material financial interest in a competing enterprise; or
- (c) Is or was employed by the Cooperative within the last 5 years; or
- (d) Has a prior felony conviction directly and materially related to the duties, responsibilities and obligations of serving as a Board member; or
- (e) Is taking competing service from another company.

Upon establishment of the fact that a Board member is holding office in violation of any of the foregoing provisions, the Board shall remove such member from office.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

### **SECTION 3. ELECTION AND TENURE OFFICE.**

Directors of the Cooperative shall be elected for terms of three (3) years. At the time of the adoption of these Amended By-Laws, the terms of office of Directors serving from each of the seven (7) districts described above expire at the date of the annual meeting of members in the year set opposite the number of such district below:

District No. 1 - Annual Meeting – 2006

District No. 2 - Annual Meeting – 2007

District No. 3 - Annual Meeting – 2008

District No. 4 - Annual Meeting – 2008

District No. 5 - Annual Meeting – 2007

District No. 6 - Annual Meeting – 2006

District No. 7 - Annual Meeting – 2006

At each annual meeting of members held hereafter, Directors shall be elected to fill the vacancies occurring at the time of such annual meeting, the terms of the office of Directors to be elected to be for three (3) years from and after the date of such annual meeting, or until their respective successors shall have been elected and qualified. If an election of Directors shall not be held on the day designated by reason of a lack of a quorum for the holding of such annual meeting, the terms of office of the Directors which shall expire on such date shall be automatically renewed for a new three-year term, beginning with such date. Board members may be elected by a plurality vote.

### **SECTION 4. NOMINATIONS.**

It shall be the duty of the Board to appoint, not less than thirty (30) days nor more than one hundred eighty (180) days before the date of a meeting of the members at which Board members are to be elected, a committee on nominations consisting of one (1) member from each of the seven (7) districts described in Section 2 above. No member of the Board may serve on such committee. Upon selection, the Secretary of the Cooperative shall notify the members of the committee so selected and shall arrange the time and place for a meeting of such committee on nominations, which meeting shall be held at least twenty (20) days before the annual meeting of members. At the meeting of the nominating committee, the nominating committee shall prepare a list of nominees for Directors which shall be posted at the principal office of the Cooperative at least twenty (20) days before the meeting of members. Any fifteen (15) or more members acting together may make other nominations by petition not less than ninety (90) days prior to the annual 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 annual meeting, or separately, but at least seven (7) days before the date of the annual meeting of members, a statement of the number of Directors to be elected and the names and addresses of the nominees, specifying separately the nomination made by the committee on nominations and also the nominations made by petition. No member may nominate more than one (1) candidate.

### **SECTION 5. REMOVAL OF BOARD MEMBERS BY MEMBERS.**

Any member may bring charges against a Board member and, by filing with the Secretary such charges in writing together with a petition signed by at least ten (10) percent of the members or two hundred (200), whichever is the lesser, may request the removal of such



Board member by reason thereof. Such Board member shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect to the charges; and the person or persons bringing the charges shall have the same opportunity. The question of the removal of such Board members 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.

#### **SECTION 6. VACANCIES.**

Subject to the provisions of these By-Laws with respect to the filling of vacancies caused by the removal of Directors by the members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Directors for the unexpired portion of the term, provided, however, that in the event the vacancy is not filled by the Board within ninety (90) days after the vacancy occurs, the members shall have the right to fill such vacancy at the annual meeting of the members without compliance with the foregoing provisions.

#### **SECTION 7. COMPENSATIONS.**

Board members shall not receive any salary for their services as such, except that by resolution of the Board a reasonable per diem plus actual expenses of attendance, if any, may be allowed for attendance for each day, or portion thereof, spent on Cooperative business, such as attendance at meetings, conferences and training programs, or performing committee assignments. 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 members or the service by the Board member's close relative shall have been certified by the Board as an emergency measure. For the purpose of this Section, close relatives include spouse, grandparents, parents, children, grandchildren, brothers, sisters, step-relatives, and spouses of any of the foregoing.

## **ARTICLE V MEETINGS OF THE BOARD**

#### **SECTION 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. Regular meetings of the Board shall also be held at such time and place in the area served by the Cooperative as the Board may provide by resolution. Such regular meetings may be held without notice other than such resolution fixing the time and place thereof.

**SECTION 2. SPECIAL MEETINGS.**

Special meetings of the Board may be called by the President or by any four (4) Board members, and it shall be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or Board members calling the meeting shall fix the time and place for the meeting.

**SECTION 3. NOTICE OF BOARD MEETING.**

Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Director not less than five (5) days before the date set either personally, by facsimile, by e-mail or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the Directors calling the meeting. If Notice is given by facsimile or e-mail, it shall be deemed delivered when transmitted to the Director's fax number or e-mail address as it appears on the records of the Cooperative. If mailed, such notice shall be deemed to have been delivered when deposited in the United States mail addressed to the Director's address as it appears on the records of the Cooperative, with postage prepaid.

**SECTION 4. QUORUM.**

A majority of the Board shall constitute a quorum, provided that if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time; and further provided that the Secretary shall notify any absent Directors of the time and place of the adjourned meeting. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these By-Laws.

Meetings, regular or special, may be conducted through the use of conferencing 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 person or persons so participating.

**ARTICLE VI  
OFFICERS**

**SECTION 1. NUMBER.**

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.

**SECTION 2. ELECTION AND TERM OF OFFICE.**

The officers shall be elected by ballot, annually by the Board at the meeting of the Board held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until successors shall have been elected. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

### **SECTION 3. REMOVAL OF OFFICERS AND AGENTS BY BOARD.**

Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing together with a petition signed by ten (10) percent of the members; or two hundred (200) members, whichever is lesser, may request the removal of such officer. 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 to the charges; and the person or persons bringing the charges shall have the same opportunity. In the event the Board does not remove such officer, the question of removal may be considered and noted upon at the next meeting of members.

### **SECTION 4. PRESIDENT.**

The President shall:

- (a) Be the principal executive officer of the Cooperative and, unless otherwise determined by the members of the Board, shall preside at all meetings of the members and the Board;
- (b) 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 By-Laws to some other officer, employee or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) 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 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 of the restrictions 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. SECRETARY-TREASURER**

The Secretary-Treasurer shall:

- (a) Cause the minutes of the meetings of the members and of the Board to be kept and maintained in one or more books provided for the purpose;
- (b) Ensure that all notices are duly given in accordance with these By-Laws or as required law;
- (c) Cause a register of the names and post office addresses of all members to be kept;

- (d) Ensure that a complete copy of the Articles of Consolidation and By-Laws of the Cooperative containing all amendments thereto is kept on file at the Cooperative's business office, which copy shall always be open to inspection by the members, and at the expense of the Cooperative, forward a copy of the By-Laws and all amendments thereto to each member;
- (e) Have general responsibility for the books, records, funds and securities of the Cooperative;
- (f) Have general responsibility for the receipt of all moneys due and payable to the Cooperative and for the deposit of all such moneys in the name of the Cooperative in such financial institutions as shall be selected in accordance with the provisions of these By-Laws; and
- (g) In general, perform all the duties incident to the office of Secretary-Treasurer and such other duties as from time to time may be assigned by the Board.

The Secretary-Treasurer shall have the 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 duties set forth in this Section, provided that the Secretary-Treasurer shall remain responsible for their proper execution.

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 their capacity as such unless such claim is a result of an act personally committed or omitted by the Secretary-Treasurer resulting in loss to the Cooperative.

#### **SECTION 7. GENERAL MANAGER/CHIEF EXECUTIVE OFFICER.**

The Board will appoint a General Manager/CEO. The General Manager/CEO shall perform such duties and shall exercise such authority as determined by the Board.

#### **SECTION 8. BONDS OF OFFICERS.**

The Secretary-Treasurer and any other officer or agent of the Cooperative charged with the responsibility for the custody of any of its funds or property shall be bonded 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.

#### **SECTION 9. COMPENSATION.**

The powers, duties and compensation of the officers of the Cooperative shall be approved by the Board.

#### **SECTION 10. REPORTS.**

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

# **ARTICLE VII**

## **COOPERATIVE OPERATION**

### **SECTION 1. INTEREST OR DIVIDENDS ON CAPITAL PROFITED.**

The Cooperative shall at all times be operated on a cooperative basis pursuant to North Dakota Century Code and Internal Revenue Service regulations 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 2. PATRONAGE CAPITAL FOR SERVICES.**

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 accounts of property rights of members.

If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the cooperative will not be impaired thereby, the capital then credited to members' accounts may be retired in full or in part. All allocations and retirements of capital shall be at the discretion and direction of the Board of Directors as to method, basis, priority and type of assignment and distribution, if any.

Notwithstanding any other provision of these By-Laws, the Cooperative, before retiring any capital credited to any member's account, shall deduct any amount owing by such member to the Cooperative, and any remaining balance over and above the amount owed the Cooperative shall be retained in the capital credit account of the member, to be paid under the policy set by the Board.

# **ARTICLE VIII**

## **DISPOSITION OF PROPERTY**

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease, or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than three-fourths (3/4) of all of the members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease, or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority 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 of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative to the United States Of America or any instrumentality or agency thereof; provided

further that the Board may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another Cooperative or foreign corporation doing business in the State pursuant to the Act under which this Cooperative is incorporated.

## **ARTICLE IX (RESERVED)**

## **ARTICLE X FINANCIAL TRANSACTIONS**

### **SECTION 1. CONTRACTS.**

Except as otherwise provided in these By-Laws, the Board may authorize any officer or officers, employee or employees of the Cooperative, agent or agents, to enter into any contracts 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 2. CHECKS, DRAFTS, ETC.**

All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

### **SECTION 3. DEPOSITS.**

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

### **SECTION 4. 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 each year.

## **ARTICLE XI MISCELLANEOUS**

### **SECTION 1. 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 2. WAIVER OF NOTICE.**

Any member or Director may waive in writing any notice of a meeting required to be given by these By-Laws. 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 when a member or Director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

## **SECTION 3. POLICIES, RULES, AND REGULATIONS.**

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

## **SECTION 4. ACCOUNTING SYSTEM AND AUDITS**

The Board shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent certified audit of the Cooperative's accounts, books and records reflecting the financial operations and conditions of the preceding fiscal year. A full and accurate summary of such audit shall be reported to the members at the next annual meeting. The Board may authorize special audits, complete or partial, as it deems necessary.

## **SECTION 5. AREA COVERAGE.**

The Cooperative will use reasonable diligence to see that service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service. The Cooperative does not guarantee uninterrupted services, nor will it always be able to provide every service desired by each individual member.

## **SECTION 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

Each director and officer of the cooperative, now or hereafter serving as such, shall be indemnified by the Cooperative against any and all claims and liabilities to which such person has or shall become subject to by reason of serving or having served as such director or officer, or by reason of any action alleged to have been taken, omitted, or neglected by such director or

officer; and the Cooperative shall reimburse such person all legal and other expenses reasonably incurred in connection with any such claim or liability, provided, however, that no such person shall be indemnified against, or be reimbursed for any expense incurred in connection with, any claim or liability arising out of willful misconduct or fraud.

The indemnification provided by this Section is not exclusive of any other rights the individual seeking indemnification may be entitled to. The Cooperative may purchase and maintain insurance against any liability asserted against a director or officer of the Cooperative whether or not the Cooperative would indemnify such person against liability under the provisions of this Section.

## **ARTICLE XII**

### **AMENDMENTS**

These By-Laws may be altered, amended, or repealed by the 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; provided, further, that Section 5 of Article III (relating to voting by members), Article VIII (relating to disposition of property), and Article XII (relating to amendments) of the By-Laws may be altered, amended, or repealed only by the affirmative vote of not less than two-thirds (2/3) of all members of the Cooperative.