

**ALLIANCE COMMUNICATIONS  
COOPERATIVE, INC.  
BYLAWS**

**ARTICLE I.  
MEMBERSHIP AND ELIGIBILITY**

**Section 1. Membership:** All persons or entities shall become a member of this Cooperative by purchasing from this Cooperative local exchange service, broadband internet service or cable television service in any certificated local exchange service area in which the Cooperative provides local exchange service.

- (a) Members shall be bound by the Articles of Incorporation, By-Laws and any rules and regulations adopted from time to time by the Board of Directors. No membership right shall be vested by any By-Law policy, rule or regulation beyond the period it remains in force and has not been changed.
- (b) No more than one (1) membership may be held by any person or entity and no membership shall be transferred except as provided in these By-Laws.
- (c) Members shall be obligated to pay any member hook-ups or other charges or fees for any type of telephone service, internet or cable television service, and any rate or tariffs as adopted from time to time by the Board of Directors.

**Section 2. Membership Record:** Membership in the Cooperative shall be evidenced by enrolling the name of a member upon the membership record kept and maintained in the office of the Cooperative, which record shall be available for inspection by any person during the regular office hours.

**Section 3A. Joint Membership:** A married couple may apply for a joint membership and, subject to their compliance with the requirements set forth in 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 married couple holding a joint membership which constitutes one member, 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 or in respect to the 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) Only one of the joint members shall have the right to 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 a board member, providing that both meet the qualifications for such office;
- (h) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor and an appropriate record thereof shall be made upon the membership record after the cooperative has been notified of the death; provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative and the surviving spouse shall also be held liable for such debts.

**3B. Conversion of Membership:** (a) A married couple may convert an existing membership to a joint membership upon written request of the holder thereof and the agreement by such holder and his or her spouse to comply with Articles of Incorporation, By-Laws, and rules and regulations adopted by the Board of Directors. The membership record kept by the Cooperative shall be kept in such manner so as to indicate the changed membership status.

**Section 4. Membership and Service Connection Fee:** No membership fee shall be assessed to a member. Upon actual receipt of telephone service, broadband internet service or cable television service from the Cooperative, such person or entity shall become a member. A connection fee or charge shall be paid by each member in accordance with the rules, regulations or tariffs as may be adopted by the Board of Directors. Discontinuance of all such services shall automatically terminate membership in the Cooperative.

**Section 5. Expulsion of a Member:** The Board of Directors may, with the affirmative vote of not less than two-thirds of all members of the Board of Directors expel any member who fails to comply with any of the provisions of the Articles of Incorporation or By-Laws including any amendments to either, or the rules and regulations adopted by the Board heretofore and hereafter, but only if such member shall be given written notice by the Cooperative that such failure makes him, her, or it liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by a majority vote of the Board of Directors, or majority vote of a quorum of the members at any annual or special membership meeting if it is determined that such member then qualified for membership.

Notwithstanding anything contained in this Section, a member may have his, her, or its membership terminated as may be provided elsewhere in these By-Laws or the Articles of Incorporation.

**Section 6. Nonliability of Member:** 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 solely by virtue of membership in the Cooperative.

## **ARTICLE II. MEMBERS MEETINGS**

**Section 1. Annual Meeting:** A regular annual meeting of the members of this Cooperative shall be held annually at such place and at such time and date as may be determined by the Board.

**Section 2. Special Meetings:** Special meetings of the members may be called at any time by the President or the Board of Directors, or the members having one-fifth (1/5) of the votes entitled to be cast at such meeting; such meeting shall be held at such place conveniently located within the area served by the Cooperative, and at such date and time, as may be designated by the Board of Directors, in the call of the meeting.

**Section 3. Notice of Meetings:** Written notice of membership meetings, both regular and special, shall be given by mailing to each member at their address as it appears on the records of this Cooperative not less than 10 nor more than 30 days before the meeting at the direction of the Secretary or upon his default by any other officer of the Cooperative or any Director designated by the Board of Directors. Such notice shall state the place, day and time of the meeting, and in case of a special member meeting, the purpose which the meeting is called.

**Section 4. Quorum:** A quorum at any member meeting shall be 10% of the first one hundred (100) members, plus 5% of additional members, present in person; provided a quorum shall never be more than fifty (50) members or less than five (5) members or a majority of all members, whichever is smaller. Members represented by signed vote may be counted in computing a quorum only as to those questions as to which the signed vote is taken.

**Section 5. Signed Votes:** Any member who is absent from any meeting of the members may vote upon any motion or resolution which the Board of Directors may in its sole discretion submit to the members for signed vote. Each such ballot shall be in the form prescribed by the Board of Directors and shall contain the exact text of the motion or resolution to be voted upon at such meeting and the date of the meeting and spaces in which such member may indicate his, her or its affirmative or negative vote thereon. The Board of Directors may approve a ballot which allows a member to designate an officer or Directors of the Cooperative to vote the ballot in the affirmative or negative. When received by the Secretary, such signed vote shall be acceptable and counted as the vote of such absent member at such meeting.

**Section 6. Votes:** Each member shall be entitled and restricted to only one vote in the affairs of this Cooperative regardless of the number of telecommunications services received by such member. In the case of:

- (a) A joint membership, the persons jointly holding the membership are entitled to only one vote cumulatively;
- (b) Voting by members other than members who are natural persons, such members shall be allowed to vote only upon presentation to the Cooperative, prior to, or upon registration at, each member meeting, of satisfactory evidence establishing such person as an authorized representative of the member. In the event of a dispute

regarding the qualification of a person wishing to vote on behalf of a member which is not a natural person, the following procedure shall be followed: (i) if an Election and Credentials Committee has been appointed, as provided in Section 7, in accordance with these By-Laws, the determination of such Committee shall be binding; or (ii) if no Election and Credentials Committee has been appointed, the Board of Directors may determine any issues involved in said dispute in its sole discretion.

**Section 7. Election and Credential Committee:** The Board of Directors may in its sole discretion at least forty (40) days before any meeting of the members, appoint an Election and Credentials Committee consisting of an uneven number of members, not less than 3 nor more than 5, who are not relatives or members of the same household of existing Directors or known candidates for Directors to be elected at such meeting. In appointing the Committee, the Board of Directors shall have regard for equitable representation of the several areas served by the Cooperative if the same is possible. The Board of Directors shall attempt to appoint only members who are natural persons with the ability or knowledge to make fair judgements. The Committee shall elect its own Chairman and Secretary. It shall then be responsible when necessary unless otherwise restricted by these By-Laws, the Articles or any law to establish or approve the manner of conducting member registration and any voting or ballot voting, pass on any questions that may arise with respect to registration of members in person or by mail vote, to count all ballots cast in any election or any other ballot or vote to be taken, to rule upon the effect of any ballots irregularly or indecisively marked, and, to pass upon any protest or objections filed with respect to any election or to conduct affecting the result of any election. The Committee shall act only when a dispute arises and may act on other matters when the same are delegated to it by the Board that are members within the purview of an election and Credentials Committee. The Board of Directors are under no obligation to appoint any Election and Credentials Committee.

**Section 8. Rule of Procedure:** The Officer presiding at any member meeting shall be in charge of the rules of procedure and the method of voting. In the event that a dispute should arise concerning the method of voting on any vote to be taken by the members and there is no Election and Credentials Committee, the officer presiding may call for a motion from the floor concerning the method of voting or balloting and if such motion is seconded, the majority vote of the membership present shall be decisive; provided if there is an Election and Credentials Committee they may defer the method of voting to a vote of the membership; provided further any ruling by the officer presiding or any vote by the members concerning the method or balloting or decision by an Election and Credentials Committee shall not be contrary to anything contained in the By-Laws, the Articles of Incorporation, statute, or other law governing the Cooperative. In the event of any dispute as to parliamentary procedure the parliamentary procedure shall be governed by Robert's Rule of Order except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or By-Laws. The Officer presiding may at any time request advice from legal counsel for the Cooperative.

**Section 9. 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 of such meeting:

- (a) Report on the number of members present in person to determine the existence of a quorum.
- (b) Reading the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting by any members, as the case may be,
- (c) Reading of unapproved minutes of previous meeting of the members and the taking of necessary action thereon.
- (d) Presentation and consideration of reports of officers, directors, committees and managers report.
- (e) Election of Directors.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

### **ARTICLE III. DIRECTORS**

**Section 1. General Powers:** The business and affairs of the Cooperative will be managed by a Board of Directors of not more than thirteen (13) Directors. The Board of Directors may exercise all duties and powers of the Cooperative conferred upon them by law, the Articles of Incorporation and these By-Laws, but shall not exercise any power specifically given to the members by law, the Articles of Incorporation and these By-Laws.

**Section 2. Qualifications:** Only persons who meet the following qualifications are eligible to become, or remain, a Director of the Cooperative:

- (a) Must be a member of this Cooperative who is a natural person and a resident in the district which such member intends to represent;
- (b) May not be employed by or financially interested to a material degree in a competing enterprise or business engaged in the purposes for which this Cooperative is formed and engaged in, including any telecommunications services, other than a non-competing business on a cooperative basis for the purpose of furthering rural telecommunications;
- (c) May not currently be an employee of the Cooperative or have been an employee of the Cooperative during the five (5) years preceding the date on which the person would take office as a director;
- (d) May not be related to any existing director or employee, or to the spouse of such existing director or employee, of the Cooperative by two (2) or fewer degrees of kinship, as defined in Article VI, Section 1 of these Bylaws; and
- (e) May not have been convicted of a felony or comparable crime that would be classified as a felony under South Dakota law;
- (f) May not be indebted to the Cooperative for any amounts which are past due; and
- (g) Shall have been a member of the Cooperative for at least five (5) years.

**Section 3. Director Districts:** The Cooperative shall consist of five (5) Director Districts from which the members of the Board of Directors shall be nominated and elected-in accordance with these By-Laws. The Director Districts are:

- (a) District 1, which shall include all of the area within the Garretson Exchange;
- (b) District 2, which shall include all of the area within the Brandon and Valley Springs Exchanges;
- (c) District 3, which shall include all of the area within the Baltic, Crooks, Howard, Oldham, and Ramona Exchanges;
- (d) District 4, which shall include all of the area within the Alcester and Hudson Exchanges; and
- (e) District 5, which shall include all of the area within the Hills, Lester, Steen, Alvord, Larchwood and Inwood Exchanges.

**Section 4. Number and Term Directors:** The Board of Directors shall be comprised of the following members, each of whom shall serve for the respective terms set forth in the following subsections:

- (a) Two (2) directors nominated and elected from District 1. Each director from District 1 shall serve a three (3) year term commencing on the respective dates of their last election;
- (b) Two (2) directors nominated and elected from District 2. Each director from District 2 shall serve a three (3) year term commencing on the respective dates of their last election;
- (c) Three (3) directors nominated and elected from District 3. Each director from District 3 shall serve a three (3) year term commencing on the respective dates of their last election;
- (d) One (1) director nominated and elected from District 4. The director from District 4 shall serve a three (3) year term commencing on the date of the director's last election;
- (e) One (1) director nominated and elected from District 5. The director from District 5 shall serve a three (3) year term commencing on the date of the director's last election; and

**Section 5. Nominations.**

- (a) Candidates for the Board of Directors shall be nominated by a petition signed by not less than twenty (20) current members of the Cooperative residing in the Director District which the candidate seeks to represent.
- (b) The nominating petition shall be a form provided by the Cooperative and shall include: 1) the name and address of the person seeking the nomination for a seat on the Board of Directors; 2) the number of the district which the candidate seeks to represent and the specific seat being sought if more than one directorship is then up for election in such district; 3) the name, address, service address (if different from mailing address), Alliance telephone number and/or email address, and signature of each person signing the petition; 4) the signature and date of signature of the person

seeking the nomination; and 5) such other information as may be determined by the Board of Directors.

- (c) Only one owner of a joint membership may sign a nominating petition. The signatures of more than one owner of a joint membership on a nominating petition shall count as one signature.
- (d) Each nominating petition shall be filed at the principal office of the Cooperative not less than seventy-five (75) days prior to the scheduled date of the Annual Meeting of the Members of the Cooperative as determined by the Board of Directors each year. Any petition received which has been mailed by first class United States Mail, postage prepaid and postmarked at least seventy-five (75) days prior to the Annual Meeting shall be deemed to have been filed in sufficient time. Nominating petitions received or postmarked after such date shall not be considered.
- (e) Upon receipt of a nominating petition within the required time frame, the General Manager of the Cooperative shall review and verify the authenticity and propriety of the signatures on the nominating petition and shall provide notice of the acceptance or rejection of the nominating petition to the person seeking the nomination within thirty (30) days of its receipt by the Cooperative. Any names or addresses included on the nominating petition which are illegible shall be disregarded by the Cooperative.
- (f) Upon approval of a petition by the Board of Directors, the candidate's name shall be added to the ballot for the election of members of the Board of Directors being elected at the Annual Meeting of the Members of the Cooperative in such year.

If any of the dates in this Section 5 should be a Saturday, Sunday, or legal holiday on which the offices of the Cooperative are not open for business, the deadline shall be the business day immediately succeeding such date.

**Section 6. Voting for Directors:** All members, as defined in these By-Laws, shall be entitled to one vote for each Director to be elected.

**Section 7. Vacancy:** Whenever a vacancy in the Board of Directors shall occur by reason of term expiring or other reason, the Board of Directors, may in its discretion, elect to appoint a replacement director to serve out the remainder of such director's unexpired term, or elect to leave a vacancy on the Board of Directors until the next regularly scheduled annual meeting of the members of the Cooperative for which there is sufficient time to conduct an election in accordance with the provisions of these Bylaws. Any replacement director appointed by the Board of Directors shall be from the Director District in which the vacancy occurs or will occur. Any such replacement director shall be selected by a majority vote of the remaining Directors then in office.

**Section 8. Meetings:** The Board of Directors shall meet regularly at such time and places as the Board of Directors may determine, and special meetings may be called by the President or a majority of the Directors. All meetings shall be held on such notice, if any, as the Board of Directors may prescribe; provided any special meeting may be called upon one day's personal notice or three day's mailing notice; provided further the Board of Directors and all officers retain all statutory authority for waiver of notice of meeting or action without meeting of

Directors. Any business may be transacted at any meeting without mention of such business in the notice, if any, of the meeting.

**Section 9. Quorum:** A quorum shall consist of a majority of the Directors and a majority of the Directors present shall decide all questions except where a greater vote is expressly required by law or by these By-Laws.

**Section 10. Directors Compensation and Expenses:** For their services as such, Directors shall receive no salary, but shall receive only such compensation as is set by resolution duly adopted by the Board of Directors for (a) regular meetings, (b) special meetings, (c) full day Directors meetings, (d) each day or part day of their attendance at other meetings for which their attendance has by law, the Cooperative's Articles of Incorporation of By-Laws or Board Resolution been duly authorized. For attendance at any such meeting, Directors may also receive reimbursement of any actual travel and out-of-pocket expense incurred, either in accordance with the Cooperative's established policies or based upon a duly adopted resolution by the Board of Directors.

**Section 11. Indemnification:** The Cooperative may 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 investigative, other than an action by or in the right of the Cooperative, by reason of the fact that he or she 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, or another corporation, partner-joint venture, trust, or other enterprise, against expenses including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit or proceeding if he or she acted in good faith and in a manner he or she 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 his or her conduct was unlawful. Indemnification shall also include any other means allowed by Law or Statute.

The Board of Directors may, by resolution, make payment of any indemnification obligations provided for in the preceding paragraph. The Board of Directors by Resolution may establish in advance an indemnification plan based upon a majority vote of a quorum. The Board of Directors may expend sums of money for insurance coverage for all or any part of the indemnification provided for in the preceding paragraph.

**Section 12. Bonds and Audits:** The Board of Directors shall require each officer, agent and employee having control or custody of any of this Cooperative's funds or property to furnish a surety bond satisfactory to the Board of Directors as the Board of Directors in their sole discretion deems proper and the cost thereof shall be paid by this Cooperative. The Board of Directors 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 which cost shall be paid by the Cooperative. The Board of Directors shall have the Books of this Cooperative audited by a Certified Public Accountant once each business year.



**Section 13. Employee Compensation:** The Board of Directors may provide for the services of any employee reasonable compensation, pension, bonuses or other benefits to such employee, and, pension or other benefits to a member of his family for his or her beneficiaries.

**Section 14. Financial Transactions:**

- (a) Contracts: Except as otherwise provided in these By-Laws the Board of Directors 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.
- (b) Checks, Drafts, etc.: All checks, drafts or other orders for 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 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.
- (c) Deposits: All funds except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative at such bank or banks as the Board of Directors may select.

**Section 15. Seal:** The Cooperative shall have a Corporation Seal which shall be in the form of a circle with the name of the Cooperative and the word "Corporation Seal, South Dakota: inscribed therein.

**Section 16. Executive Committee:** The Board of Directors may elect an Executive Committee to consist of three (3) or more Directors. When the Board of Directors is not in session, such committee shall have those specific powers only specified by the Board of Directors and if the powers are not specified then the Executive Committee shall have all powers of the Board of Directors; provided however in either case the Executive Committee shall have no powers specifically reserved by the Board of Directors to itself, no powers in respect to apportionment or distribution of proceeds, no powers concerning election of officers, no powers filling vacancies in the Board of Directors, no powers concerning amendment to the By-Laws and no powers concerning employment, resignation or discharge of any Manager. The Board of Directors may elect other Directors as alternate for members of the Executive Committee. The Executive Committee shall keep minutes of any meeting held by them and copies of the minutes of any meeting by the Executive Committee shall be mailed to Directors within seven (7) days following such meeting.

**Section 17. Other Committees:** The Board of Directors, may at its discretion, appoint such other committees as it may deem necessary.

## **SECTION IV. OFFICERS**

**Section 1. Number:** The Officers of the Cooperative are President, Vice-President, Secretary and Treasurer. The offices of Secretary and of Treasurer may be held by the same person. All officers shall be both members and Directors of this Cooperative.

**Section 2. Election and Term of Office:** The Officers shall be elected annually by and from the Board at the meeting of the Board of Directors held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be possible. Each officer holds office until the first meeting of the Board following the next succeeding annual meeting of the members or until such officer's successor is elected and qualified. Except as otherwise provided in these By-Laws, any unexpired portion of a term of office shall be filled by the Board of Directors.

**Section 3. Removal of Officers and Agents:** Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in the Board of Directors' judgment that the best interests of the Cooperative will be served thereby.

**Section 4. President:** The President shall:

- (a) Be the principal executive officer of the Cooperative and, unless otherwise determined by members of the Board of Directors, shall preside at all meetings of the members and the Board of Directors; and,
- (b) Sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to another officer or agent of the Cooperative or shall be required by law to be otherwise signed or executed; and, 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 disability or refusal to act, the Vice-President shall perform the duties of the President and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice-President shall also perform such other duties as from time to time be assigned to him by the Board of Directors.

**Section 6. Secretary:** The Secretary shall:

- (a) Take or supervise the taking of the complete minutes of all meetings of the members and of the Board of Directors; and,
- (b) See that all notices are duly given in accordance with these By-Laws as required by law; and,

- (c) Be custodian of the Corporate Records and of the Seal of the Cooperative and see to it that the Seal is affixed to all documents requiring the Seal of the Cooperative, provided that the execution of such documents on behalf of the Cooperative under its Seal is duly authorized in accordance with the provisions of these By-Laws or requirements of law; and,
- (d) Keep, or cause to be kept, a regular register of the names and post office address of all members; and,
- (e) Have general charge of the books of the Cooperative; and,
- (f) Keep on file or see that it is kept on file at all times a complete copy of the Articles of Incorporation and By-Laws of the Cooperative containing all amendments thereto (which copy shall always be open to inspection of any member at a reasonable time during office hours) and at the expense of the Cooperative, provide a copy of the Current Articles of Incorporation and the By-Laws and any amendments thereto to each Member; and,
- (g) In general perform all duties incident to the Secretary and such other duties as from time to time may be assigned to him by the Board.

**Section 7. Treasurer:** The Treasurer shall:

- (a) Have charge and be in custody of and responsible for all funds and securities of the Cooperative; and,
- (b) Be responsible for and in charge of 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 Bank or Banks as shall be selected in accordance with the provisions of these By-Laws; and,
- (c) In general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

**Section 8. Designation of Secretary's and Treasurer's Responsibilities:**

Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Section 6 and 7 of this Article the Board of Directors may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular and routine administration of one or more of such officers duties to one or more agents or other officers or employees of the Cooperative who are not Directors. To the extent that the Board does so delegate with respect to either such officer, that officer as such shall be released from such duties, responsibilities and authorities.

**Section 9. Manager:** The Board of Directors shall employ a Manager and set his compensation and all other terms of his employment. The Manager shall actively supervise all of the ordinary business of this Cooperative, and shall employ and discharge all other employees of this Cooperative, and shall perform such duties and have such powers as the Board of Directors or the Executive Committee may require of or may delegate to him.

**Section 10. Bonds and Surety:** Bonds shall be required or set forth in Article III Section 12 of these By-Laws.

**ARTICLE V.  
ENCUMBERING OR DISPOSING OF PROPERTY; MERGERS AND  
CONSOLIDATIONS**

**Section 1. Encumbering of Property:** The Board of Directors shall have the power, which may be exercised only by a majority vote of all the Directors, to authorize and approve the borrowing of money. The Board of Directors shall have power, which may be exercised only by a vote of the majority of all of the Directors, to take any necessary action to secure any present or future indebtedness of the Cooperative to the United States of America or any Department thereof or any Agency thereof or any Instrumentality thereof, or any other lender by the giving of any security instrument, mortgage, security agreement upon covering the Cooperative's rights, privileges, authority and franchises, revenues and any and all other property, real or personal. The Board of Directors shall designate in their vote who shall execute the said document or documents including any Notes.

**Section 2. Other Disposition of Property:** Except as provided in Section 1 of this Article, the Cooperative may not dispose of all or substantially all of the Cooperative's fixed assets except as authorized by the affirmative vote of not less than three-fourths of the Members present at a meeting of the members of the cooperative duly called and noticed for such purpose.

**Section 3. Mergers and Consolidations.** If otherwise lawful, the Cooperative may merge or consolidate with another business entity only pursuant to a written plan of merger or consolidation setting forth the terms of such merger or consolidation and the effect of the merger or consolidation upon the members. Such written plan of merger or consolidation shall also have been approved of by not less than a three-fourths majority of all members of the Cooperative's Board of Directors and by the following majorities of the members of the Cooperative (as applicable):

- (a) In the case of a merger or consolidation in which the ultimate surviving entity is a member owned communications cooperative in which membership is determined by patronage and residency, the majority of members required to approve such plan of merger or consolidation shall be a simple majority of those members present and entitled to vote at a duly called and noticed meeting held for such purpose;
- (b) In the case of a merger or consolidation of the Cooperative and a wholly-owned subsidiary of the Cooperative after which membership in the Cooperative remains based upon patronage and residency, the majority of members required to approve such plan of merger or consolidation shall be a simple majority of those members present and entitled to vote at a duly called and noticed meeting held for such purpose; and
- (c) In all other cases of merger or consolidation, the majority of members required to approve such plan of merger or consolidation shall be a majority of three-fourths

of those members present and entitled to vote at a duly called and noticed meeting held for such purpose.

**Section 4. Cash and Cash Equivalents in the Event of Merger or Consolidation.** In the event of a merger or consolidation of the nature described in Article V, Section 3(c) above, the plan of merger or consolidation shall, among other things, include a provision requiring that prior to the consummation of the merger or consolidation, the cash and cash equivalents of the Cooperative (determined in accordance with Generally Accepted Accounting Principles) be paid to the members of the Cooperative in retirement of a corresponding portion of the members' unretired patronage capital in the Cooperative, such that following such retirement and immediately prior to the consummation of the merger or consolidation, the Cooperative has positive working capital of one dollar (\$1.00) determined in accordance with Generally Accepted Accounting Principles.

## **ARTICLE VI. MISCELLANEOUS**

**Section 1. Employment of Director's Relatives:** No person who is related to a present or future director by two (2) or fewer degrees of kinship, or whose spouse is related to a present or future director by two (2) or fewer degrees of kinship, shall be employed by the Cooperative or receive compensation for serving the Cooperative. For purposes of these By-Laws, kinship shall be deemed to include relations by blood and relations created by marriage or adoption, including, without limitation, step-children, step-parents, or step-siblings.

**Section 2. Interest:** The Board of Directors shall establish the time in which accounts receivable are classified as delinquent. The Board of Directors may determine the amount of interest that shall be charged against delinquent accounts receivable and the Board of Directors may from time to time change the rate of interest to be charged against delinquent accounts receivable; provided that no rate of interest to be charged against accounts receivable shall violate usury laws, if any.

**Section 3. Lien:** This Cooperative shall have a first lien on all capital credits or other credits for all indebtedness of the holder thereof to this Cooperative. The Cooperative may not offset their lien on such indebtedness until according to the policy of the Cooperative, similar credits are no longer needed as capital or revolving capital and are declared by the Board of Directors to be paid by an actual cash outlay.

**Section 4. Securities Holdings:** This Cooperative may, upon authorization of the Board of Directors, purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, lend, pledge, or otherwise dispose of, and otherwise use and deal in and with, shares or other interests in, or obligations of, other domestic or foreign cooperatives and corporations, partnerships or individuals, or direct or indirect obligations of the United States or of any other government, state, territory, governmental district or municipality or of any instrumentality thereof.

**Section 5. Waiver of Notice:** Any member or Director may waive in writing any notice required by these By-Laws. The attendance of a member or Director at any meeting constitutes a waiver of notice of the meeting by such member or Director, except when a member or Director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully convened.

**Section 6. Rules:** The Board of Directors shall have power to make any rules or policy not inconsistent with law, the Articles of Incorporation or these By-Laws, as it may deem advisable for the management of the affairs of the Cooperative.

**Section 7. Accounting System:** The Board of Directors shall provide for a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to the accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States Department of Agriculture, or any successor organization.

**Section 8. Construction and Interpretation:** Whenever Article, Section and Paragraph headings are included in these By-Laws they are included for ease of reading only and they are not intended or to be interpreted as limiting any provision of the By-Laws.

## **ARTICLE VII. PATRONS, NET PROCEEDS AND NON-PROFIT OPERATION**

**Section 1. Patrons and Non-Profit Operation:** The Cooperative shall, at all times, be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividend shall be paid or payable by the Cooperative on any capital furnished by patrons. For purposes of these By-Laws, Patron is defined in Article IX hereof. In the furnishing of any telecommunications service, this Cooperative's operations shall be so conducted that all patrons will through their patronage furnish capital for this Cooperative. In order to induce patronage and to insure that this Cooperative will operate on a non-profit basis, this Cooperative is obligated to account on a patronage basis to all of its patrons the following calculation, the sum of which shall be deemed "patrons net proceeds": (i) the total amounts received and receivable by the Cooperative in conjunction with or for the furnishing of telecommunications services subscribed to by the patron or provided in conjunction with such subscribed services or for the benefit of such patron (including, without limitation, payments from other telecommunications companies, universal service funds (or any successor program), capital gains or distributions realized or received in connection with investments in entities related to the provision of telecommunications services to patrons, and interest and dividend income on short-term investments), less (ii) the total amount of operating costs and all expenses which are deductions properly chargeable against the total proceeds of this Cooperative (including, without limitation, applicable taxes and allocations of reasonable overhead costs and expenses), less (iii) the amount required to be set aside for educational purposes pursuant to the provisions of SDCL Chapter 47-16 and Section 2 of this Article VII. (All other revenue consisting of miscellaneous revenue or non-operating income, after deduction for related expense, may at the Board of Directors'

discretion, be allocated to patrons according to their patronage or not allocated to patrons and instead placed in a permanent capital account.) Notwithstanding anything contained herein to the contrary, the Board of Directors may divide the business of the Cooperative into one (1) or more various and different departments or pools using rules of reasonable application so that amounts received and receivable from the operation of the Cooperative business will be considered proceeds to one (1) or more various departments or pools and each of such departments or pools shall have operating costs and other expenses or deductions properly chargeable to the total proceeds of said department or pool. All patrons' net proceeds at the moment of receipt by the Cooperative from the patron or other lawful sources are received with the understanding that they are furnished as capital; and this Cooperative is obligated to pay by credits to a capital account designated as "revolving capital" for each patron, all such amounts determined to be "patrons' net proceeds" and such allocation may be made by departments or pools. All such amounts credited to the "revolving capital" of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron, in consideration of similar subscriptions by others in the same business year does irrevocably subscribe and agree to then furnish this Cooperative corresponding amounts for "revolving capital", without any notice or call.

The patrons of this Cooperative, by subscribing, dealing and receiving telecommunications services from the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and By-Laws shall and do constitute a contract between this Cooperative and each such patron, and both the Cooperative and the patron are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

**Section 2. Association Net Proceeds:** In accordance with the requirements of SDCL Chapter 47-16, an amount equal to 1% of said net proceeds shall be set aside as an educational fund to be used in teaching or promoting cooperative organization or principles in a manner prescribed by the Board of Directors and such funds shall for all purposes except the computation of net proceeds be deemed an expense of operation of this Cooperative.

**Section 3. Apportionment of Patrons' Net Proceeds:** The total of the Patrons' Net Proceeds shall be apportioned insofar as permitted by law between the several patrons on the basis of their respective subscription and receipt of a telecommunications patronage of this Cooperative and may be apportioned on the basis of their respective patronage of and the net proceeds resulting from the operation of the various pools or departments of this Cooperative and from various kinds, qualities, grades, quantities and values of services or equipment provided; that there shall be no distinction or discrimination as between patrons who are members and patrons who are not members.

**Section 4. Payment of Patrons' Net Proceeds:** Each patron's share of the Patrons' Net Proceeds shall be, as the case may be, credited in accord with these By-Laws to an account or accounts for each such patron (each an "Allocated Capital Reserve Account") as "Revolving Capital" as hereafter set forth. The books and records of this Cooperative shall be set up and kept in such manner that at the end of each fiscal year the amount of Patrons' Net Proceeds, if any, is clearly reflected and credited in an appropriate record to the Allocated Capital Reserve

Account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of "Patrons Net Proceeds" so credited to such patron.

**Section 5. Authority to Compute and Apportion:** All determinations as to which categories of revenue and expense shall be used in the computation of Patrons' Net Proceeds as well as all determinations involving the proper basis of apportioning the Patrons' Net Proceeds as between the several patrons shall be determined by this Cooperative for the fiscal year for which such determinations are made; and such determinations, when made in good faith and according to what the Cooperative considers to be in accord with proper procedures and sound accounting principles and proper construction of the provisions of this ARTICLE and in the Cooperative's corporate purpose, all insofar as law allows, but in accord with the rules of the Internal Revenue Code of 1986, as amended, shall be conclusive upon both this Cooperative and each and all of its patrons. Nothing contained in these By-Laws shall prohibit amending this ARTICLE VII in whole or in part so long as no patron is deprived of any prior rights that have vested which vest prior to such amendment or amendments.

## **ARTICLE VIII. REVOLVING CAPITAL**

**Section 1. Purpose:** This Cooperative shall establish and maintain revolving capital for the purpose of acquiring and maintaining capital, to supplement its capital and lawful reserves adequate to finance its properties and business; provided that said credits to revolving capital shall be deemed to represent contributions by the patrons to the revolving capital as of the dates when the amount for which said credits were issued or transferred to said accounts.

**Section 2. Operation and Contributions:** This Cooperative may accept contributions to its revolving capital from any patron approved by the Board of Directors; and this Cooperative shall issue to such person a revolving capital credit on the books of the Cooperative in the principal amount equal to the amount of the contribution. Proper entries shall be made on the books and records of this Cooperative as required by these By-Laws and the Cooperative may issue revolving capital certificates to evidence the revolving capital credits and such certificates may be in such form and contain such terms and conditions not inconsistent with this Article as the Board of Directors may prescribe. Contributions to the revolving capital need not be segregated from, but on the contrary may be invested or co-mingled with, any other assets of this Cooperative. No dividend, interest or other income shall be declared or paid on account of any credits in revolving capital or on any capital. If and when the Revolving Capital shall have been impaired (that is to say, whenever the sum of the principal amounts of all Revolving Capital credits then issued and outstanding shall exceed the balance in the Revolving Capital), then the Board of Directors may reduce the principal amount of any or all such Revolving capital credits as said Board of Directors, in its sole discretion, may designate so that the sum of the principal amounts of all Revolving Capital credits shall be not less than the balance then in the Revolving Capital, all as may be more particularly provided by said Board of Directors. This Cooperative shall have a first lien on each Revolving Capital Credit for all indebtedness of the holder thereof to this Cooperative.



**Section 3. Transfers:** Assignments of revolving capital credit shall be made only on the books of this Cooperative, either by the record holder in person or by his Attorney-in-fact and only with the consent of the Board of Directors and only to successors in interest or successors in occupancy in all or part of such patrons premises served by this Cooperative; provided that credits shall remain subject to this Cooperative's lien thereon.

**Section 4. Retirement:** 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, revolving capital then credited to patrons' accounts may be retired in full or in part. (The Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital.)

**Section 5. Early Retirement to Deceased Persons:** Notwithstanding the foregoing, the Board of Directors, in its sole discretion, shall have the power at any time upon the death of any patron, who was a natural person, if the legal representatives of his or her estate shall request in writing that the capital credit to such person be retired prior to the time such capital would otherwise be retired under the provision of these By-Laws, to retire capital credits to such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application and the legal representative of such patron's estate shall agree upon; provided, however that the financial condition of the Cooperative will not be impaired thereby. The death of either spouse who is a party to a joint membership shall constitute a termination of said membership and shall be treated in all manner as the death of any other patron for early retirement of patronage capital as provided for in these By-Laws.

## **ARTICLE IX. PATRON DEFINED**

"Patron" means, as to any one transaction, any member or non-member who purchases telecommunications products or services provided in the normal course of the business of this Cooperative to its members. The term "Patron" does not include a telecommunications company which (i) pays any fees or settlements to this Cooperative; (ii) is purchasing such telecommunications products or services primarily for purposes of resale to a third-party or to the public at large; or (iii) purchases any products or services from this Cooperative other than local telephone exchange services, internet service provider services, cable television programming services and other consumer products.

## **ARTICLE X. FISCAL YEAR**

The fiscal year of this Cooperative shall commence on the first day of January in each year and shall end on the last day of December in the same year.

## **ARTICLE XI.**

By-Laws may be adopted and amended by the Board of Directors. Any By-Law adopted or amended by the Board of Directors shall be reported at the next regular member meeting. Any such By-Law shall be at any time subject to amendment or repeal by the members.

**UNITED STATES DEPARTMENT OF  
AGRICULTURE  
Rural Utilities Services**

**Statement of Nondiscrimination**

Alliance Communications Cooperative, Inc. is the recipient of Federal financial assistance from the Rural Utilities Services, an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, as amended, and the rules and regulations of the U.S. Department of Agriculture which provided that no person in the United States on the basis of race, color, national origin, age, or handicap shall be excluded from participation in, admission or access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organizations' programs or activities.

The person responsible for coordinating this organization's nondiscrimination compliance efforts is Ross Petrick, General Manager. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may obtain further information about the statutes and regulations listed above from and/or file a written complaint with this organization; or the Secretary, U.S. Department of Agriculture, Washington, D.C. 20250; or the Administrator, Rural Electrification Administration, Washington, D.C. 20250. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.