

**BYLAWS
OF
CUSTER TELEPHONE COOPERATIVE, INC,**

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**BYLAWS
OF
CUSTER TELEPHONE COOPERATIVE, INC.**

**ARTICLE I
NAME**

The name of this non-profit cooperative corporation is Custer Telephone Cooperative, Inc. (the “Cooperative”).

**ARTICLE II
PURPOSE**

The general purpose of the Cooperative is to provide retail telecommunications and other information services within the Cooperative’s designated Incumbent Local Exchange Carrier (“ILEC”) geographic area, as such services and area may be amended from time to time (the “Services”). The Cooperative shall be owned, operated, organized and maintained by its members, for the purpose of providing the Services to its members.

**ARTICLE III
MEMBERSHIP**

SECTION 1. Requirements for Membership

Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of the Cooperative by purchasing from the Cooperative any of the Services offered by the Cooperative, and by paying all charges for the Services purchased by such member.

Each member, by dealing with the Cooperative, acknowledges that the terms and provisions of the articles of incorporation (“Articles”) and these bylaws (“Bylaws”), as well as all policies, rules and regulations, shall constitute and be a contract between the Cooperative and each member, and both the Cooperative and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. No member may hold more than one membership in the Cooperative, and no membership shall be transferable, except as, provided in these Bylaws.

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

SECTION 2. Joint Membership

A married couple may obtain a joint membership subject to their compliance with the membership requirements of Section 1 of this Article. The term "member" as used in these Bylaws shall be deemed to include a 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, joint memberships shall be subject to the following:

(a) The presence at a meeting of either or both shall be regarded as the presence of the joint membership and shall constitute a joint waiver of notice of the meeting;

(b) The vote of either separately or both jointly shall constitute one joint vote;

(c) A waiver of notice signed by either or both shall constitute a joint waiver;

(d) Notice to either shall constitute notice to both;

(e) Expulsion of either shall terminate the joint membership;

(f) Withdrawal of either shall terminate the joint membership;

(g) Either but not both may be elected or appointed as an officer or Board Member, provided that both meet qualifications for such office.

SECTION 3. Conversion of Membership

(a) An individual membership may be converted to a joint membership upon the written request of the individual member and the agreement by such member and the spouse of such member to comply with the Articles of Incorporation, Bylaws, and any rules and regulations adopted by the Board. The books and records of the Cooperative shall reflect the changed membership status.

(b) Upon the death of either spouse who is a party to a joint membership, such membership shall be converted to an individual membership to be held solely by the surviving spouse. The books and records of the Cooperative shall reflect the changed membership status. Notwithstanding the foregoing, the estate of the deceased spouse shall not be released from any debts due the Cooperative.

SECTION 4. Membership Fee

The Board of Directors of the Cooperative (the "Board") may, in its discretion, institute a membership fee under polices of general application.

SECTION 5. Purchase of Services

Each member must purchase one or more recurring Services from the Cooperative. The Board shall from time to time establish and publish a list of the Services offered by the Cooperative, together with the terms, conditions, prices or rates applicable to each such Service. Each member

shall comply with the terms and conditions of Service established by the Board and shall pay all amounts owed to the Cooperative as and when the same shall become due and payable.

It is expressly understood that all amounts paid by members for Service in excess of the cost and expenses of providing the Service are furnished by the members to the Cooperative as capital, and each member shall be credited with the capital so furnished as provided by these Bylaws. The Cooperative is not obligated to furnish credits for any services which are not billed and collected by the Cooperative, even when such services are partially rendered over the facilities of the Cooperative.

SECTION 6. Termination of Membership

(a) Any member may withdraw from membership in accordance with the rules, regulations or policies as established by the Board from time to time. The Board may, by affirmative vote of not less than two-thirds of all directors, expel any member who fails to comply with any of the provisions of the Articles, Bylaws or any rules or regulations adopted by the Board.

(b) Upon the withdrawal, death, cessation of Service, or expulsion of a member, the membership of such member shall terminate and be recorded upon the books and records of the Cooperative. Termination of a membership in any manner shall not release a member or such member's estate from any debts due the Cooperative nor for any unpaid bills or any other obligations accruing prior to the termination of such membership.

ARTICLE IV RIGHTS AND OBLIGATIONS OF MEMBERS

SECTION 1. Service Obligations

The Cooperative will use reasonable diligence to furnish adequate and dependable Services, but the Cooperative cannot and does not guarantee uninterrupted Services nor will it always be able to provide every Service desired by each individual member.

SECTION 2. Cooperation of the Members in the Extension of Services

The cooperation of members of the Cooperative is imperative to the successful, efficient and economical operation of the Cooperative. Members who are receiving or who are requesting Service shall be deemed to have consented to the reasonable use of their real property to construct, install, operate, maintain, repair, replace or enlarge communications lines, whether overhead or underground, including all conduit, cables, wires, surface testing terminals, markers and other appurtenances on, over, under, and across, any real property or interest therein owned by said member for the furnishing of Service to said

member, at no cost to the Cooperative. When requested by the Cooperative, the member shall execute any easement or right-of-way contract on a form to be furnished by the Cooperative.

SECTION 3. Property Interest of Members

Upon dissolution of the Cooperative, the 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 such members, unless otherwise provided by law, and after all debts and liabilities of the Cooperative shall have been paid, and all capital furnished through patronage shall have been retired as provided in these Bylaws and any policies established by the Board.

SECTION 4. 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.

**ARTICLE V
MEETING OF MEMBERS**

SECTION 1. Annual Meeting

The Annual Meeting of the members shall be held on the fourth Wednesday of March of each year at such place in the counties of Custer or Lemhi, State of Idaho, as shall be designated in the Notice of the Meeting, for the purpose of electing directors, passing upon reports from the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the Annual Meeting. If the day fixed for the Annual Meeting shall fall on a legal holiday, such meeting shall be held on the next succeeding business day. Failure to hold the Annual Meeting at the designated time shall not work as a forfeiture or dissolution of the Cooperative.

SECTION 2. Special Meetings

Special meetings of the Members may be called by resolution of the Board of Directors, or upon a written request signed by any three directors, by the President, or by ten percent (10%) or more of all the members and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the Members may be held at any place within the counties of Custer or Lemhi, State of Idaho, specified in the Notice of the Special Meeting.

SECTION 3. Notice of Members Meetings

Written or printed notice stating the place, day and hour of the meeting and in case of a Special Meeting or an Annual Meeting at which business requiring special notice is to be transacted, the purpose or purposes for

which the meeting is called, shall be delivered not less than ten days nor more than twenty-five days before the date of the meeting, by or at the direction of the secretary, or upon a default in duty by the secretary, by another officer or director of the Cooperative. When notice is required to be given by these Bylaws, it may be delivered by United States mail, personally or by other electronic means, such as facsimile or email transmission. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at such member's address as it appears on the records of the Cooperative, with postage thereon prepaid. If sent electronically, such notice shall be deemed to be delivered when transmitted to the email address or facsimile number of the member on the records of the Cooperative. 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. Postponement of a Meeting of the Members

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

SECTION 5. Quorum

The presence in person or by proxy of fifty (50) members or that number which is equal to or greater than two percent (2%) of the total members of the Cooperative, whichever shall be the larger, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting but no other business may be transacted.

The Cooperative may transact any business at an adjourned meeting that could have been transacted at the original meeting. When a meeting is adjourned to another time or place, no notice is required if the time and place are announced at the original meeting. If the adjournment is for more than forty-five (45) days, a notice of the adjourned meeting shall be given to each member as set forth herein.

The members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

SECTION 6. Voting

Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members.

A membership held in the name of an entity may be voted by such officer, agent or proxy as the internal documents of such entity may prescribe or, in the absence of such provision, as the governing body of such entity may determine; provided such entity informs the Cooperative at or prior to the meeting of the name of the individual who will cast the vote for such entity member.

A membership held by an administrator, executor, guardian or conservator may be voted by such administrator, executor, guardian or conservator, either in person or by proxy, without a transfer of such membership into such administrator, executor, guardian or conservator's name.

A membership standing in the name of a receiver may be voted by such receiver, and a membership held by or under the control of a receiver may be voted by such receiver without the transfer thereof into such receiver's name if authority to do so be contained in the appropriate order of the court by which such receiver was appointed.

All questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the Articles or these Bylaws.

SECTION 7. Proxies

A member may vote by proxy executed in writing by the member. Such proxy shall be filed with the secretary before or at the time of the meeting. No proxy shall be valid after sixty (60) days from the date of its execution. No proxy shall be valid unless it shall designate the particular meeting at which it is to be voted and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. A member may give such member's proxy only to another member, and no person may hold more than one proxy at any meeting. The presence of a member at a meeting shall revoke a proxy theretofore executed by such member and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if such member had not executed a proxy. The minutes of each meeting shall report on the number of members represented by proxy.

SECTION 8. Order of Business

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

- (a) Report on the number of members present in person in order to determine the existence of a quorum.
- (b) Report on the number of members represented by proxy.
- (c) Reading of the Notice of the Meeting and Proof of the Due Publication or Mailing thereof, or the waiver of notice of the meeting as the case may be.
- (d) Reading of unapproved minutes of previous meetings of the members (or waiver of the requirement that such minutes be read) and the taking of necessary action thereon, including approval thereof as presented.
- (e) Presentation and consideration of reports of officers, directors and committees.
- (f) Election of directors.
- (g) Unfinished business.
- (h) New business.
- (i) Adjournment.

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

ARTICLE VI BOARD MEMBERS

SECTION 1. General Powers

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

SECTION 2. Election and Tenure of Office

Directors may be elected by a plurality vote of the total members, with the total area to be served by the Cooperative to be divided into four districts to be designated and known as Clayton-East Fork District, Round Valley-Challis District, Pahsimeroi (Ellis and May) District and Elk Bend District, and with each said district be represented on the Board at all times by the following number of directors:

- Clayton-East Fork District - two directors;
- Round Valley-Challis District – three directors;
- Pahsimeroi (Ellis and May) District – one director;
- Elk Bend District – one director

Three groups of directors will be established according to the following grouping:

- Group I: one director from Clayton-East Fork District and one director from Round Valley-Challis District
- Group II: one director from Round Valley-Challis District and one director from Pahsimeroi (Ellis and May) District
- Group III: one director from Round Valley-Challis District, one director from Clayton-East Fork District and one director from Elk Bend District

Each said group shall serve for a period of three years from the date of that group's election to the Board of Directors. At those annual meetings in which an election of directors is to occur, Group I directors, Group II directors or Group III directors shall be elected for any expiring terms by a plurality vote of the members at any meeting at which a quorum is present. If an election of directors shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing directors within a reasonable time thereafter.

SECTION 3. Qualifications

No person shall be eligible to become or remain a director or to hold any position of trust 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 in any way employed by or financially interested in a competing enterprise or a business selling communications services or supplies, or constructing or maintaining communications facilities. Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such director 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 at which such director participated in any such action.

SECTION 4. Nominations.

It shall be the duty of the Board to appoint, not less than thirty (30) days nor more than sixty (60) days before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected from different sections to insure equitable representation. No member of the Board may serve on such committee.

The committee, keeping in mind the principle of geographical representation, shall prepare and post at the principal office of the Cooperative at least twenty (20) days before the meeting a list of nominations for directors which may include a greater number of candidates than are to be elected. Any fifteen (15) or more members acting together may make other nominations by petitions not less than fifteen (15) days prior to the meeting and the secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. The secretary shall mail with the notice of the meeting or separately, but at least seven (7) days before the date of the meeting, a statement of the number of directors to be elected and the names and addresses of the candidates, specifying separately the nominations made by the committee on nominations and those nominated by petition. Nominations from the floor at the meeting at which the directors are to be elected shall not be closed until at least one minute has passed during which no additional nomination has been made. No member may nominate more than one candidate either by petition or from the floor at the meeting.

SECTION 5. Election of Directors

Elections of directors shall be by printed ballot. The ballot shall list the names of the candidates nominated by the committee and by petition with such names arranged in alphabetical order by districts. Any member desiring to vote for a candidate nominated from the floor at the meeting shall write in the name of such candidate beneath the pre-printed names set forth on the ballot and stating the particular district which such candidate would represent if elected.

Each member of the Cooperative present in person at the meeting, or present through proxy, shall be entitled to vote for one (1) candidate from each district for which a director is to be elected. The candidate from each district from which a director is to be elected receiving a plurality of votes cast for that office at such meeting shall be declared elected as a director. In the event of any failure of an election of a director at any meeting called for the purpose of such director shall allow the incumbent director whose directorship would have expired to remain as a director until the next member meeting called for the purpose of filling the vacancy at which a quorum is present.

SECTION 6. Removal of Directors by Members

Any member may bring charges relating to the duties and responsibilities of a director against a director and, by filing with the secretary such charges in writing together with a petition signed by a least ten percent (10%) of the members, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least ten (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 of the charges; and the person or persons bringing the charges against the director shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members. No director shall be removed unless two thirds (2/3) of the members present at such meeting at which a quorum is present vote to remove such director. 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.

A director may resign at any time by written notice delivered to the Board or to the president or secretary of the Cooperative. A resignation is effective when the notice is delivered unless the notice specifies a later date. The pending vacancy may be filled before the effective date, but the successor shall not take office until the effective date.

SECTION 7. Vacancies

Subject to other provisions of these Bylaws with respect to the filing of a vacancy or vacancies occurring on the Board caused by the death, resignation or removal of directors, which are not filled by the members at a meeting where such removal occurred, shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term.

SECTION 8. Compensation

Directors may, as determined by resolution of the Board, receive compensation for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs, or performing committee assignments when authorized by the Board. In addition, in accordance with resolutions of the Board or other general policies of the Cooperative relating to compensation, directors may be reimbursed for expenses actually and necessarily incurred in carrying out such business or granted a reasonable expense allowance or per diem by the Board in lieu of detailed accounting of expenses. Such expenses may include travel, lodging and meals when traveling on Cooperative business. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the service by such director or close relative shall have been approved in advance by the Board.

SECTION 9. Rules, Regulations, Rate Schedules and Contracts

The Board shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate classifications, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent

with law or the Articles or Bylaws as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative or, cause such to be submitted for any appropriate governmental regulatory approval. Further, the Board may constitute itself into committees for the purpose of studying and making recommendations to the full Board in the course of its decision-making processes.

SECTION 10. Accounting Systems and Reports

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

ARTICLE VII MEETINGS OF DIRECTORS

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. A regular meeting of the Board shall also be held monthly at such time and place in Custer or Lemhi County, State of Idaho, as the Board may provide by resolution. Such regular monthly meeting 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 three (3) directors, and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as hereinafter provided. The President or the directors calling the meeting shall fix the time and place (which shall be in Custer or Lemhi County, State of Idaho) for the holding of the meeting.

SECTION 3. Teleconference Meetings

Unless the Articles provide otherwise, any member of the Board, or of any committee thereof, may participate in a regular or special meeting by, or conduct the meeting through, the use of any means of conference telephone or similar communications equipment by which all directors participating in the meeting may simultaneously hear and speak to each other during the meeting. A director participating in a meeting by such means is deemed to be present in person at such meeting.

SECTION 4. Notice of Directors Meetings

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

previous thereto either personally or by mail, electronic mail or facsimile transmission 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 mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at such director's address as it appears on the records of the Cooperative with postage thereon prepaid. If sent by electronic mail or facsimile, such notice shall be deemed to be delivered when transmitted to the email address or facsimile number of the director on the records of the Cooperative.

SECTION 5. Quorum

A majority of the directors on the Board shall constitute a quorum, provided, that if less than such majority of the directors is present at said meeting, a majority of the directors' present may adjourn the meeting to another time and place; and provided further, that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board.

ARTICLE VIII 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. The offices of Secretary and of Treasurer may be held by the same person.

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 conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until such officer's successor shall have been elected and shall have qualified. Except as otherwise provided in these Bylaws, the 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 Directors

Any officer or agent elected or appointed by the Board may be removed by the Board for cause 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 any officer, and by filing with the Secretary such charges in writing together with a petition signed by ten percent (10%) of the members, or seventy-five members, whichever is

less, 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 of the charges; and the person or persons bringing the charges against the officer shall have the same opportunity.

SECTION 4. President

The President shall

(a) Be the principal executive officer of the Cooperative and, unless otherwise determined by the Board, shall preside at all meetings of the members and the Board; and

(b) Sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

(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 the President's inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions 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

The Secretary shall be responsible for the following:

(a) Keeping the minutes of the meetings of the members and of the Board in one or more books provided for that purpose;

(b) Seeing that all notices are duly given in accordance with these Bylaws or as required by law;

(c) Being custodian of the corporate records and of the seal of the Cooperative and affixing the seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;

(d) Keeping a register of the names, post office addresses, and electronic mail addresses (if available) of all members;

(e) Having general charge of the books of the Cooperative;

(f) Keeping on file at all times a complete copy of the Articles and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, forwarding a copy of the Bylaws and of

all amendments thereto to each member; and

(g) In general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board.

SECTION 7. Treasurer

The Treasurer shall

(a) Have charge and custody of and be responsible for all funds and securities of the Cooperative;

(b) Be responsible for 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 Bylaws; 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 by the Board.

SECTION 8. Manager or Chief Executive Officer

The Board may appoint a manager or chief executive officer of the Cooperative. Such manager or chief executive officer shall not be required to be a member of the Cooperative at the time of appointment, but shall be required to become a member within a reasonable time after such appointment as determined by the Board. Any person appointed as a manager or chief executive officer on an interim basis shall not be required to be a member unless offered the position on a permanent basis. The manager or chief executive officer shall perform such duties and shall exercise such authority as the Board may from time to time vest in such manager or chief executive officer.

SECTION 9. Bonds of Officers

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

SECTION 10. Compensation

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

SECTION 11. Reports

The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous

fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE IX INDEMNIFICATION AND INSURANCE

SECTION 1. Scope of Indemnification

The Cooperative shall indemnify and advance funds to or on behalf of the directors, officers, employees and agents of the Cooperative to the fullest extent permitted by the Idaho Nonprofit Corporation Act (but, in the case of any amendment to the Idaho Nonprofit Corporation Act, only to the extent that such amendment permits the Cooperative to provide broader indemnification rights than the Idaho Nonprofit Corporation Act permitted the Cooperative to provide prior to such amendment).

SECTION 2. Mandatory Indemnification of Directors

The Cooperative shall indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he or she was a party because he or she was a director of the Cooperative against reasonable expenses incurred by him or her in connection with the proceeding.

SECTION 3. Insurance Coverage

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

ARTICLE X NON-PROFIT OPERATION

SECTION I. Interest or Dividends on Capital Prohibited

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

SECTION 2. Patronage Capital in Connection with Furnishing Services

In the furnishing of Services, the Cooperative's operation shall be so conducted that all members will, through their patronage, furnish capital

for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis, the Cooperative is obligated to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of Services in excess of operating costs and expenses properly chargeable against the furnishing of Services. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as capital. The Cooperative is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to such member's account. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its members on a patronage basis and any amount so allocated shall be included as part of the capital credited to the amounts of members, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of a member. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to members' accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired.

Capital credited to the account of each member shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor unless the Board, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the Board at its discretion, shall have the power at any time upon the death of any

member, if the legal representatives of such member's estate shall request in writing that the capital otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such member immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such member's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

ARTICLE XI
DISPOSITION AND PLEDGING OF PROPERTY
DISSOLUTION AND DISTRIBUTION OF
SURPLUS ASSETS UPON DISSOLUTION

SECTION 1. Disposition and Pledging of Property

The Cooperative may not sell, lease or otherwise dispose of all or any substantial portion of its total assets unless such sale, lease or other disposition or encumbrance is authorized at a duly called special meeting of the members at which a quorum is present by the affirmative vote of no less than least two-thirds (2/3) of the total members of the Cooperative; provided, however, the Board shall have full power and authority to borrow monies from any source and in any such amounts as the Board may from time to time determine are needed in pursuit of the Cooperative's business purpose and to mortgage or otherwise pledge or encumber any of the Cooperative's property or assets as security therefore, on such terms and conditions as the Board shall determine.

SECTION 2. Dissolution

The Cooperative may be dissolved by the filing of Articles of Dissolution in a form required by Idaho law.

The Articles of Dissolution and a certified copy or copies thereof shall be filed in the same place as the original Certificate of Incorporation and thereupon the Cooperative shall be deemed to be dissolved.

The Cooperative shall continue for the purpose of paying, satisfying and discharging any existing liabilities or obligations and collecting or liquidating its assets, and doing all other acts required to adjust and wind up its business and affairs, and may sue and be sued in its corporate name.

SECTION 3. Distribution of Assets on Dissolution

Upon dissolution of the Cooperative, all of its assets shall be liquidated and the proceeds shall be applied and distributed in the following order: First, to the payment of all debts and liabilities of the Cooperative;

Second, to the reduction or elimination of the balances of the patronage capital accounts of current and former members, if any, having any patronage capital not previously retired, pro rata in the same proportion as such account balances bear to the aggregate of all account balances; and Third, to all current and former members, insofar as practicable, in proportion to the aggregate patronage of each current and former member during the period of such member's membership.

Any assets remaining after all debts and liabilities of the Cooperative shall have been paid, the Board may donate or provide for the donation of, such surplus to one or more non-profit, charitable or educational organizations that are exempt from federal income taxation.

SECTION 4. Unclaimed Property

Any funds held for the account of any member or former member who cannot be found shall be disposed of in accordance with the Idaho Unclaimed Property Act and the Board's policies of general application.

ARTICLE XII

SEAL

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

ARTICLE XIII

FINANCIAL TRANSACTIONS

SECTION I. Contracts

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

SECTION 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 bank or banks 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 the same year.

ARTICLE XIV MISCELLANEOUS

SECTION 1. Membership in Other Organizations

The Board shall have the power to authorize the Cooperative to become a member of, participate in, or purchase stock or other ownership interest in any profit or non-profit association, corporation, partnership, limited liability company, joint venture or other organization if the Board finds that such action will serve the interests of the members.

SECTION 2. Waiver of Notice

Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director, except in the case that 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. Rules and Regulations

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

SECTION 4. Accounting System and Reports

The Board shall cause to be established and maintained a complete accounting system in conformance with applicable laws, rules and regulations. The Board shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the next following annual meeting.

ARTICLE XV AMENDMENTS

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds of the members present at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal, and provided that a quorum as provided in these Bylaws be present at such meeting.