

**BYLAWS
OF
MAGNOLIA ROAD INTERNET COOPERATIVE**

**Article I
MEMBERS**

1. ANNUAL MEMBER'S MEETING. The annual members' meeting shall be held on the date and at the time and place fixed from time to time by the board of directors.

2. SPECIAL MEMBER'S MEETING. A special members meeting for any purpose or purposes, may be called by the board of directors. The Cooperative shall also hold a special members' meeting in the event it receives, in the manner specified in Article VI.3., one or more written demands for the meeting, stating the purpose or purposes for which it is to be held, signed and dated by the members representing not less than one-tenth of all of the votes entitled to be cast on any issue at the meeting. Special meetings shall be held at the principal office of the Cooperative or at such other place as the board of directors may determine.

3. RECORD DATE FOR DETERMINATION OF MEMBERS.

(a) In order to make a determination of members (1) entitled to notice of or to vote at any members' meeting or at any adjournment of a members' meeting, (2) entitled to demand a special members' meeting, (3) entitled to take any other action, (4) entitled to receive payment of a share dividend or a distribution, or (5) for any other purpose, the board of directors may fix a future date as the record date for such determination of members. The record date may be fixed not more than seventy days before the date of the proposed action.

(b) Unless otherwise specified when the record date is fixed, the time of day for determination of members shall be as of the Cooperative's close of business on the record date.

(c) A determination of members entitled to be given notice of or to vote at a members' meeting is effective for any adjournment of the meeting unless the board of directors fixes a new record date, which the board shall do if the meeting is adjourned to a date more than one hundred twenty days after the date fixed for the original meeting.

(d) If no record date is otherwise fixed, the record date for determining members entitled to be given notice of and to vote at an annual or special members' meeting is the day before the first notice is given to members.

4. VOTING LIST.

- (a) After a record date is fixed for a members' meeting, the secretary shall prepare a list of the names of all its members who are entitled to be given notice of the meeting. The list shall be alphabetical and shall show the address of each member.
- (b) The members' list shall be available for inspection by any member, beginning the earlier of ten days before the meeting for which the list was prepared or two business days after notice of the meeting is given and continuing through the meeting, and any adjournment thereof, at the Cooperative's principal office or at a place identified in the notice of the meeting in the city where the meeting will be held.
- (c) The secretary shall make the members' list available at the meeting, and any member or agent or attorney of a member is entitled to inspect the list at any time during the meeting or any adjournment.

5. NOTICE TO MEMBERS.

- (a) The secretary shall give notice to members of the date, time, and place of each annual and special members' meeting no fewer than ten nor more than sixty days before the date of the meeting; except that, if the Articles of Incorporation are to be amended to increase the number of authorized shares, at least thirty days' notice shall be given. Except as otherwise required by the law, the secretary shall be required to give such notice only to members entitled to vote at the meeting.
- (b) Notice of an annual members' meeting need not include a description of the purpose or purposes for which the meeting is called unless a purpose of the meeting is to consider an amendment to the Articles of Incorporation, a restatement of the Articles of Incorporation, a plan of merger or share exchange, disposition of substantially all of the property of the Cooperative or dissolution of the Cooperative.
- (c) Notice of a special members' meeting shall include a description of the purpose or purposes for which the meeting is called.
- (d) Notice of a members' meeting shall be in writing and shall be given
 - (1) by deposit in the United States mail, properly addressed to the member's address shown in the Cooperative's current record of members, first class postage prepaid, and, if so given, shall be effective when mailed; or

- (2) by electronically transmitted facsimile, electronic mail, mail, or private carrier or by personal delivery to the member, and, if so given, shall be effective when actually received by the member.
- (e) If an annual or special members' meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment; provided, however, that, if a new record date for the adjourned meeting is fixed pursuant to Article I.3.(c), notice of the adjourned meeting shall be given to persons who are members as of the new record date.
- (f) If three successive notices are given by the Cooperative, whether with respect to a members' meeting or otherwise, to a member and are returned as undeliverable, no further notices to such member shall be necessary until another address for the member is made known to the Cooperative.

6. QUORUM. A quorum for conducting business at all meetings of the members shall be ten percent (10%) of the active paying members. Members voting in person or in any other manner as authorized by Article I, Section 8, shall be counted toward the quorum with respect to that matter. If a quorum does not exist, the managing director or any member that is present at the meeting, may adjourn the meeting to a different date, time, or place, and (subject to the next sentence) notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment. If a new record date for the adjourned meeting is or must be fixed pursuant to Article I.3.(c), notice of the adjourned meeting, shall be given pursuant to Article I.5. to persons who are members as of the new record date. At any adjourned meeting at which a quorum exists, any matter may be acted upon that could have been acted upon at the meeting originally called; provided, however, if new notice is given of the adjourned meeting, then such notice shall state the purpose or purposes of the adjourned meeting sufficiently to permit action on such matters. Once a member is present for any purpose at a meeting, including the purpose of determining that a quorum exists, the member is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or shall be set for that adjourned meeting.

7. VOTING ENTITLEMENT OF MEMBERS. Each member is entitled to one vote. In addition to any other matter required to be voted upon by the members, whether by law, the Articles of Incorporation or these bylaws, the members shall be entitled to vote on the following matters:

- (a) any amendment to or restatement of the Articles of Incorporation.
- (b) any amendment to or restatement of these bylaws.
- (c) any plan of merger or share exchange.
- (d) the disposition of substantially all of the property of the Cooperative.

(e) any proposed dissolution of the Cooperative.

(f) any other matter submitted to the members by the board of directors.

8. ACCEPTANCE OF VOTES. Members may vote either in person or by any of the following methods:

(a) Mail or electronic transmission if a means is provided to verify that a member so voting has received the exact wording of the matter upon which the vote is to be taken.

(b) Telecommunication, or

(c) Any other means by which all persons in the meeting may communicate with each other during the meeting.

9. WAIVER OF NOTICE.

(a) A member may waive any notice required by these bylaws, whether before or after the date or time stated in the notice as the date or time when any action will occur or has occurred. The waiver shall be in writing, be signed by the member entitled to the notice, and be delivered to the Cooperative for inclusion in the minutes or filing with the cooperative records, but such delivery and filing shall not be conditions of the effectiveness of the waiver.

(b) A member's attendance at a meeting waives objection to lack of notice or defective notice of the meeting, unless the member at the beginning of the meeting objects to holding the meeting or transacting business at the meeting because of lack of notice or defective notice, and waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the member objects to considering the matter when it is presented.

10. MEETINGS BY TELECOMMUNICATIONS. Any or all of the members may participate in an annual or special members' meeting by, or the meeting may be conducted through the use of, any means of communication by which all persons participating in the meeting may hear each other during the meeting. A member participating in a meeting by this means is deemed to be present in person at the meeting.

11. MEMBERSHIP QUALIFICATION. Membership in the Cooperative is available only to individuals and non-profit organizations. An individual or organization is eligible for membership only if the individual resides or if the organization's place of business is located within the then current service area of the cooperative. All members shall be required to subscribe to the Cooperative's internet service offerings, and shall submit and comply with all membership agreements as required by the board of directors.

12. **MEMBERSHIP DUES.** Each member shall pay one time or annually upon membership dues as set and determined by the board of directors. The board of directors may, from time to time, establish additional regular requirements for the members. The board of directors may, upon application of a member and for good cause shown, waive any and all fees which would otherwise be applicable to the member.

13. **WITHDRAWAL OF MEMBER.** A member may withdraw from the Cooperative by providing written notice of the members' intent to withdraw to the Cooperative's secretary.

14. **SUSPENSION AND TERMINATION OF MEMBER.** If, following a reasonable opportunity to be heard, prior to which written notice of intention to suspend or terminate is given to a member by the board of directors, the board of directors shall find that the member has (a) failed to make any financial payment or contribution required to be made by the member within ninety (90) days of the mailing of the invoice therefore or (b) has failed to comply with the provisions of the Articles of Incorporation, the bylaws or the rules and requirements of the Cooperative, or has violated the provisions of any contract between the member and the Cooperative, the board of directors may suspend or terminate the member's membership in the Cooperative, and if suspended, upon such terms and conditions as the board of directors may deem appropriate. Any member so suspended shall not be considered a member in good standing, and shall not be entitled to notice of a members meeting nor entitled to vote or voice in the management or affairs of the Cooperative. Any terminated member shall be permanently terminated and hence forth forever ineligible for reinstatement.

Article II **DIRECTORS**

1. **AUTHORITY OF THE BOARD OF DIRECTORS.** The Cooperative's powers shall be exercised by or under the authority of, and the business and affairs of the Cooperative shall be managed under the direction of, a board of directors.

2. **NUMBER.** The board shall consist of six (6) directors. The number of directors may be increased or decreased by amendment of these bylaws, but no decrease in the number of directors shall have the effect of shortening the term of any incumbent director.

3. **QUALIFICATION.** Directors shall be natural persons at least eighteen years old and shall be members in good standing of the Cooperative, or designated representatives of members in good standing who are not natural persons.

4. **ELECTION.** The board of directors shall be elected at the annual meeting of the members or at a special meeting called for that purpose. Any member in good standing may be a candidate for the board of directors. At least two (2) weeks prior to the annual meeting, all eligible candidates will be identified by the board of directors by way of notice to the membership, together with each candidate's brief biography and brief statement.

5. **TERM.** The directors named in the Articles of Incorporation as the initial Board of Directors shall serve until the first annual meeting of the members. Thereafter, directors shall be elected by the members of the Cooperative at the annual meeting for a term of two (2) years, unless they sooner resign or are removed as provided in this Article II. Notwithstanding the forgoing, the directors elected at the first annual meeting of the members shall be divided by lot as equally as possible into two (2) groups; the members of one of such groups shall serve for a term of one (1) year, and the members of the other group shall serve for a term of two (2) years. No one director shall serve more than four (4) consecutive elected terms as a director, with a one (1) year break before being eligible to again serve as a director, and in no event more than eight (8) terms in their lifetime.

6. **RESIGNATION.** A director may resign at any time by giving written notice of his or her resignation to any other director or (if the director is not also the secretary) to the secretary. The resignation shall be effective when it is received by the other director or secretary, as the case may be, unless the notice of resignation specifies a later effective date. Acceptance of such resignation shall not be necessary to make it effective unless the notice so provides.

7. **REMOVAL.** Any director may be removed by the members, with or without cause, at a meeting called for that purpose. The notice of the meeting shall state that the purpose, or one of the purposes, of the meeting is removal of the director. A director may be removed only if the number of votes cast in favor of removal exceeds the number of votes cast against removal. The board may remove any director who does not meet the qualifications for board membership as provided in these bylaws, and, for cause, upon the unanimous decision of the remaining members of the board of directors.

8. **VACANCIES.**

(a) If a vacancy occurs on the board of directors, other than by expiration of term, but including a vacancy resulting from an increase in the number of directors, the remaining members of the board, even though not a quorum, by a majority vote, shall fill the unexpired term.

(b) A vacancy that will occur at a specific later date, by reason of a resignation that will become effective at a later date under Article II.6. or otherwise, may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

9. MEETINGS. The board of directors shall hold regular meetings at least once per calendar quarter. A regular meeting shall be held in the principal office of the Cooperative or, if otherwise unanimously agreed to, at another location. The board of directors may, by resolution, establish other dates, times and places for additional regular meetings, which may thereafter be held without further notice. Special meetings may be called by the managing director or by any two directors and shall be held at the principal office of the Cooperative unless another place is consented to by every director.

10. NOTICE OF SPECIAL MEETING. Notice of a special meeting shall be given to every director at least forty eight (48) hours before the time of the meeting, stating the date, time, and place of the meeting. The notice need not describe the purpose of the meeting. Notice may be given orally to the director, personally or by telephone or other wire or wireless communication. Notice may also be given in writing by electronically transmitted facsimile, electronic mail, mail, or private carrier. Notice shall be effective at the earliest of the time it is received; five days after it is deposited in the United States mail, properly addressed to the last address for the director shown on the records of the Cooperative, first class postage prepaid; or the date shown on the return receipt if mailed by registered or certified mail, return receipt requested, postage prepaid, in the United States mail and if the return receipt is signed by the director to whom the notice is addressed.

11. QUORUM. Except as provided in Article II.8., a presence of five (5) directors shall constitute a quorum for the transaction of business at all meetings of the board of directors. The act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the board of directors, except as otherwise specifically required herein or required by law. Notwithstanding the foregoing, the board of directors shall not authorize, permit or direct the incurring of any loan indebtedness, in excess of \$300.00, without the approval and consent of at least five (5) members of the board of directors.

12. WAIVER OF NOTICE.

(a) A director may waive any notice of a meeting before or after the time and date of the meeting stated in the notice. Except as provided by Article II.12.(b), the waiver shall be in writing and shall be signed by the director. Such waiver shall be delivered to the secretary for filing with the Cooperative records, but such delivery and filing shall not be conditions of the effectiveness of the waiver.

(b) A director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless, at the beginning of the meeting or promptly upon his or her later arrival, the director objects to holding the meeting or transacting business at the meeting because of lack of notice or defective notice and does not thereafter vote for or assent to action taken at the meeting.

13. ATTENDANCE BY TELEPHONE. One or more directors may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may hear each other during the meeting. A

director participating in a meeting by this means is deemed to be present in person at the meeting.

14. **DEEMED ASSENT TO ACTION.** A director who is present at a meeting of the board of directors when action is taken shall be deemed to have assented to all action taken at the meeting unless:

- (1) The director objects at the beginning of the meeting, or promptly upon his or her arrival, to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to any action taken at the meeting;
- (2) The director contemporaneously requests that his or her dissent or abstention as to any specific action taken be entered in the minutes of the meeting; or
- (3) The director causes written notice of his or her dissent or abstention as to any specific action to be received by the presiding officer of the meeting before adjournment of the meeting or by the secretary (or, if the director is the secretary, by another director) promptly after adjournment of the meeting.

The right of dissent or abstention pursuant to this Article II.14. as to a specific action is not available to a director who votes in favor of the action taken.

15. **ACTION BY DIRECTORS WITHOUT A MEETING.** Any action required or permitted by law to be taken at a board of directors meeting may be taken without a meeting if all members of the board consent to such action in writing. Action shall be deemed to have been so taken by the board at the time the last director signs, or otherwise electronically confirms his or her approval of, a writing describing the action to be taken, unless, before such time, any director has revoked his or her consent by a writing signed by or otherwise electronically communicated by the director and received by the secretary or any other person authorized by the bylaws or the board of directors to receive such a revocation. Such action shall be effective at the time and date it is so taken unless the directors establish a different effective time or date. Such action has the same effect as action taken at a meeting of directors and may be described as such in any document.

16. **COMPENSATION.** Except for expenses incurred and approved by the board of directors, the members of the board of directors shall not receive compensation for their services. Election or appointment as a director shall not create a legal or equitable contractual right to compensation for services performed by such director.

Article III OFFICERS

1. **GENERAL.** The Cooperative shall have as officers a managing director, a secretary, and a treasurer, who shall be appointed by the board of directors. The board of directors, and such other subordinate officers as the board of directors may authorize from time to time, acting singly, may appoint as additional officers one or more vice chairman, assistant secretaries, assistant treasurers, and such other subordinate officers as the board of directors, or such other appointing officers deem necessary or appropriate. The officers of the Cooperative shall hold their offices for such terms and shall exercise such authority and perform such duties as shall be determined from time to time by these bylaws, the board of directors, or (with respect to officers whom are appointed by other appointing officers) the persons appointing them; provided, however, that the board of directors may change the term of offices and the authority of any officer appointed by any other appointing officers. Any two or more offices may be held by the same person, except that one individual may not concurrently hold the office of managing director and secretary or president and secretary. The officers of the Cooperative shall be natural persons at least eighteen years old.

2. **TERM.** Each officer shall hold office from the time of appointment until the time of removal or resignation pursuant to Article III.3. or until the officer's death.

3. **REMOVAL AND RESIGNATION.** Any officer appointed by the board of directors may be removed at any time by the board of directors. Any officer appointed by any other appointing officer may be removed at any time by the board of directors or by the person appointing the officer. Any officer may resign at any time by giving written notice of resignation to any director (or to any director other than the resigning officer if the officer is also a director), to the managing director, to the secretary, or to the officer who appointed the officer. Acceptance of such resignation shall not be necessary to make it effective, unless the notice so provides.

4. **MANAGING DIRECTOR.** The managing director shall preside at all meetings of members, and the managing director shall also preside at all meetings of the board of directors. Subject to the direction and control of the board of directors, the managing director shall be the chief executive officer of the Cooperative and as such shall have general and active management of the business of the Cooperative and shall see that all orders and resolutions of the board of directors are carried into effect. The managing director may negotiate, enter into, and execute contracts, deeds, and other instruments on behalf of the Cooperative as are necessary and appropriate to the conduct of the business and affairs of the Cooperative and as are approved by the board of directors. The managing director shall have such additional authority and duties as are appropriate and customary for the office of chief executive officer, except as the same may be expanded or limited by the board of directors from time to time.

5. **VICE CHAIRMAN.** The vice chairman, if any, or, if there are more than one, the vice chairmen in the order determined by the board of directors (or, if no such determination is made, in the order of their appointment), shall be the officer or officers next in seniority after the managing director. Each vice chairman shall have such authority and duties as are prescribed by the board of directors or managing director. Upon the death, absence, or disability of the managing director, the vice chairman, if any, or, if there are more than one, the vice chairman in the order determined by the board of directors, shall have the authority and duties of the managing director.

6. **SECRETARY.** The secretary shall be responsible for the preparation and maintenance of minutes of the meetings of the board of directors and of the members and of the other records and information required to be kept by the Cooperative and for authenticating records of the Cooperative. The secretary shall also give, or cause to be given, notice of all meetings of the members and special meetings of the board of directors, keep the minutes of such meetings, have charge of the Cooperative seal and have authority to affix the Cooperative seal to any instrument requiring it (and, when so affixed, it may be attested by the secretary's signature), be responsible for the maintenance of all other cooperative records and files and for the preparation and filing of reports to governmental agencies (other than tax returns), and have such other authority and duties as are appropriate and customary for the office of secretary, except as the same may be expanded or limited by the board of directors from time to time.

7. **ASSISTANT SECRETARY.** The assistant secretary, if any, or, if there are more than one, the assistant secretaries in the order determined by the board of directors or the secretary (or, if no such determination is made, in the order of their appointment) shall, under the supervision of the secretary, perform such duties and have such authority as may be prescribed from time to time by the board of directors or the secretary. Upon the death, absence, or disability of the secretary, the assistant secretary, if any, or, if there are more than one, the assistant secretaries in the order designated by the board of directors or the secretary (or, if no such determination is made, in the order of their appointment), shall have the authority and duties of the secretary.

8. **TREASURER.** The treasurer shall have control of the funds and the care and custody of all stocks, bonds, and other securities owned by the Cooperative, and shall be responsible for the preparation and filing of tax returns. The treasurer shall receive all moneys paid to the Cooperative and, subject to any limits imposed by the board of directors, shall have authority to give receipts and vouchers, to sign and endorse checks and warrants in the Cooperative's name and on the Cooperative's behalf, and give full discharge for the same. The treasurer shall also have charge of disbursement of funds of the Cooperative, shall keep full and accurate records of the receipts and disbursements, and shall deposit all moneys and other valuable effects in the name and to the credit of the Cooperative in such depositories as shall be designated by the board of directors. The treasurer shall have such additional authority and duties as are appropriate and customary for the office of treasurer, except as the same may be expanded or limited by the board of directors from time to time.

9. **ASSISTANT TREASURER.** The assistant treasurer, if any, or, if there are more than one, the assistant treasurers in the order determined by the board of directors or the treasurer (or, if no such determination is made, in the order of their appointment) shall, under the supervision of the treasurer, have such authority and duties as may be prescribed from time to time by the board of directors or the treasurer. Upon the death, absence, or disability of the treasurer, the assistant treasurer, if any, or if there are more than one, the assistant treasurers in the order determined by the board of directors or the treasurer (or, if no such determination is made, in the order of their appointment), shall have the authority and duties of the treasurer.

10. **COMPENSATION.** Excepting for expenses incurred and approved by the board of directors, officers shall not receive compensation for their services. Election or appointment of an officer shall not create a legal or equitable contractual right to compensation for services performed by such officer.

Article IV INDEMNIFICATION

1. **DEFINITIONS.** As used in this article:

(a) "Cooperative" includes any domestic or foreign entity that is a predecessor of the Cooperative by reason of a merger or other transaction in which the predecessor's existence ceased upon consummation of the transaction.

(b) "Director" means an individual who is or was a director of the Cooperative or an individual who, while a director of the Cooperative, is or was serving at the Cooperative's request as a director, officer, partner, trustee, employee, fiduciary, or agent of another domestic or foreign Cooperative or other person or of an employee benefit plan. A director is considered to be serving an employee benefit plan at the Cooperative's request if his or her duties to the Cooperative also impose duties on, or otherwise involve services by, the director to the plan or to participants in or beneficiaries of the plan. "Director" includes, unless the context requires otherwise, the estate or personal representative of a director.

(c) "Expenses" includes counsel fees.

(d) "Liability" means the obligation incurred with respect to a proceeding to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to an employee benefit plan, or reasonable expenses.

(e) "Official Capacity" means, when used with respect to a director, the office of director in the Cooperative and, when used with respect to a person other than a director as contemplated in Article IV.I.(a), the office in the Cooperative held by the officer or the employment, fiduciary, or agency relationship undertaken by the employee, fiduciary, or agent on behalf of the Cooperative. "Official Capacity"

does not include service for any other domestic or foreign cooperative or other person or employee benefit plan.

(f) "Party" includes a person who was, is, or is threatened to be made a named defendant or respondent in a proceeding.

(g) "Proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal.

2. AUTHORITY TO INDEMNIFY DIRECTORS.

(a) Except as provided in Article IV.2.(d), the Cooperative shall indemnify a person made a party to a proceeding because the person is or was a director against liability incurred in the proceeding if:

(1) The person conducted himself or herself in good faith; and

(2) The person reasonably believed:

(A) In the case of conduct in an official capacity with the Cooperative, that his or her conduct was in the Cooperative's best interests; and

(B) In all other cases, that his or her conduct was at least not opposed to the Cooperative's best interests; and

(3) In the case of any criminal proceeding, the person had no reasonable cause to believe his or her conduct was unlawful.

(b) A director's conduct with respect to an employee benefit plan for a purpose the director reasonably believed to be in the interests of the participants in or beneficiaries of the plan is conduct that satisfies the requirement of Article IV.2.(a)(2)(B). A director's conduct with respect to an employee benefit plan for a purpose that the director did not reasonably believe to be in the interests of the participants in or beneficiaries of the plan shall be deemed not to satisfy the requirements of Article IV.2.(a)(1).

(c) The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the director did not meet the standard of conduct described in this Article IV.2

(d) The Cooperative may not indemnify a director under this Article IV.2.

- (1) In connection with a proceeding by or in the right of the Cooperative in which the director was adjudged liable to the Cooperative; or
 - (2) In connection with any other proceeding charging that the director derived an improper personal benefit, whether or not involving action in an official capacity, in which proceeding the director was adjudged liable on the basis that he or she derived an improper personal benefit.
- (e) Indemnification permitted under this Article IV.2 in connection with a proceeding by or in the right of the Cooperative is limited to reasonable expenses incurred in connection with the proceeding.

3. MANDATORY INDEMNIFICATION OF DIRECTORS. The Cooperative shall indemnify a person who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the person was a party because the person is or was a director, against reasonable expenses incurred by him or her in connection with the proceeding.

4. ADVANCE OF EXPENSES TO DIRECTORS.

- (a) The Cooperative shall pay for or reimburse the reasonable expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding if:
 - (1) The director furnishes to the Cooperative a written affirmation of the director's good faith belief that he or she has met the standard of conduct described in Article IV.2.
 - (2) The director furnishes to the Cooperative a written undertaking, executed personally or on the directors behalf, to repay the advance if it is ultimately determined that he or she did not meet the standard of conduct; and
 - (3) A determination is made that the facts then known to those making the determination would not preclude indemnification under this article.
- (b) The undertaking required by Article IV.4.(a)(2) shall be an unlimited general obligation of the director but need not be secured and may be accepted without reference to financial ability to make repayment.
- (c) Determinations and authorizations of payments under this Article IV.4 shall be made in the manner specified in Article IV.6.

5. COURT-ORDERED INDEMNIFICATION OF DIRECTORS. A director who is or was a party to a proceeding may apply for indemnification to the court conducting the proceeding or to another court of competent jurisdiction. On receipt of an application, the court, after giving any notice the court considers necessary, may order indemnification in the following manner:

- (1) If it determines that the director is entitled to mandatory indemnification under Article IV.3., the court shall order indemnification, in which case the court shall also order the Cooperative to pay the director's reasonable expenses incurred to obtain court-ordered indemnification.
- (2) If it determines that the director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director met the standard of conduct set forth in Article IV.2.(a) or was adjudged liable in the circumstances described in Article IV.2.(d), the court may order such indemnification as the court deems proper; except that the indemnification with respect to any proceeding in which liability shall have been adjudged in the circumstances described in Article IV.2.(d) is limited to reasonable expenses incurred in connection with the proceeding and reasonable expenses incurred to obtain court-ordered indemnification.

6. DETERMINATION AND AUTHORIZATION OF INDEMNIFICATION OF DIRECTORS.

(a) The Cooperative may not indemnify a director under Article IV.2 unless authorized in the specific case after a determination has been made that indemnification of the director is permissible in the circumstances because the director has met the standard of conduct set forth in Article IV.2. The Cooperative shall not advance expenses to a director under Article IV.4 unless authorized in the specific case after the written affirmation and undertaking required by Article IV.4.(a)(1) and IV.4.(a)(2) are received and the determination required by Article IV.4.(a)(3) has been made.

(b) The determinations required by Article IV.6.(a) shall be made:

- (1) By the board of directors by a majority vote of those present at a meeting at which a quorum is present, and only those directors not parties to the proceeding shall be counted in satisfying the quorum; or
- (2) If a quorum cannot be obtained, by a majority vote of a committee of the board of directors designated by the board of directors, which committee shall consist of two or more directors not parties to the proceeding; except that directors who are parties

to the proceeding may participate in the designation of directors for the committee.

(c) If a quorum cannot be obtained as contemplated in Article IV.6.(b)(1), and a committee cannot be established under Article IV.6.(b)(2) if a quorum is obtained or a committee is designated, if a majority of the directors constituting such quorum or such committee so directs, the determination required to be made by Article IV.6.(a) shall be made:

(1) By independent legal counsel selected by a vote of the board of directors or the committee in the manner specified in Article IV.6.(b)(1) or IV.6.(b)(2), or, if a quorum of the full board cannot be obtained and a committee cannot be established, by independent legal counsel selected by a majority vote of the full board of directors; or

(2) By the members.

(d) Authorization of indemnification and advance of expenses shall be made in the same manner as the determination that indemnification or advance of expenses is permissible; except that, if the determination that indemnification or advance of expenses is permissible is made by independent legal counsel, authorization of indemnification and advance of expenses shall be made by the body that selected such counsel.

7. INDEMNIFICATION OF OFFICERS, EMPLOYEES, FIDUCIARIES, AND AGENTS.

(a) An officer is entitled to mandatory indemnification under Article IV.3. and is entitled to apply for court-ordered indemnification under Article IV.5., in each case to the same extent as a director;

(b) The Cooperative may indemnify and advance expenses to an officer, employee, fiduciary, or agent of the Cooperative to the same extent as to a director; and

(c) The Cooperative may also indemnify and advance expenses to an officer, employee, fiduciary, or agent who is not a director to a greater extent than is provided in these bylaws, if not inconsistent with public policy, and if provided for by general or specific action of its board of directors or members or by contract.

8. INSURANCE. The Cooperative may purchase and maintain insurance on behalf of a person who is or was a director, officer, employee, fiduciary, or agent of the Cooperative, or who, while a director, officer, employee, fiduciary, or agent of the Cooperative, is or was serving at the request of the Cooperative as a director, officer, partner, trustee, employee, fiduciary, or

agent of another domestic or foreign cooperative or other person or of an employee benefit plan, against liability asserted against or incurred by the person in that capacity or arising from his or her status as a director, officer, employee, fiduciary, or agent, whether or not the Cooperative would have power to indemnify the person against the same liability under Article IV.2., IV.3., or IV.7. Any such insurance may be procured from any insurance company designated by the board of directors, whether such insurance company is formed under the laws of this state or any other jurisdiction of the United States or elsewhere, including any insurance company in which the Cooperative has an equity or any other interest through stock ownership or otherwise.

9. NOTICE TO MEMBERS OF INDEMNIFICATION OF DIRECTOR. If the Cooperative indemnifies or advances expenses to a director under this Article in connection with a proceeding by or in the right of the Cooperative, the Cooperative shall give written notice of the indemnification or advance to the members with or before the notice of the next members' meeting.

Article V **SHARES**

1. CERTIFICATES. Certificates representing shares of the capital stock of the Cooperative may be in such form as is approved by the board of directors and shall be signed by the managing director or vice chairman of the board of directors (if any), and by the secretary or an assistant secretary or the treasurer or an assistant treasurer. All certificates shall be consecutively numbered, and the names of the owners, the number of shares, and the date of issue shall be entered on the books of the Cooperative. Each certificate representing shares shall state upon its face

- (a) That the Cooperative is organized under the laws of the State of Colorado;
- (b) The name of the person to whom issued;
- (c) The par value, if any, of each share represented by the certificate;

2. TRANSFERS OF SHARES.

(a) Transfers of shares shall be made on the books of the Cooperative only with the consent of the Board of Directors, and only upon presentation of the certificate or certificates representing such shares properly endorsed by the person or persons appearing upon the face of such certificate to be the owner, or accompanied by a proper transfer or assignment separate from the certificate, except as may otherwise be expressly provided by the statutes of the State of Colorado or by order of a court of competent jurisdiction. The officers or transfer agents of the Cooperative may, in their discretion, require a signature guaranty before making any transfer. The Cooperative shall be entitled to treat the person in whose name any shares are registered on its books as the owner of those shares for all purposes and shall not be bound to recognize any equitable or other claim

or interest in the shares on the part of any other person, whether or not the Cooperative shall have notice of such claim or interest.

(b) The common stock of the Cooperative may be held only by a member of the Cooperative. Each member shall be deemed the owner of one (1) share of stock, and no member shall have more than one vote in any annual or special meeting. In the event the member shall cease to be a member of the Cooperative, such member shall have no rights or privileges on account of such stock, or vote or voice in the management or affairs of the Cooperative, other than the right to participate in accordance with law in case of dissolution, and the Cooperative shall have the right at its option to;

- (i) Purchase such stock at its book value, as determined by the board of directors; or
- (ii) Require the transfer of any such stock at such book value to any person eligible to hold the same.

(c) The common stock of the Cooperative may be transferred only to persons eligible to hold such stock and no purported assignment or transfer of common stock shall pass to any person, not eligible to hold the stock, any rights or privileges on account of such stock, or vote or voice in the management of the affairs of the association.

(d) The Cooperative shall have a lien on any common stock issued to a member for all indebtedness, if any, of the member to the Cooperative.

Article VI MISCELLANEOUS

1. **COOPERATIVE SEAL.** The board of directors may adopt a seal, circular in form and bearing the name of the Cooperative and the words "SEAL" and "COLORADO," which, when adopted, shall constitute the seal of the Cooperative. The seal may be used by causing it or a facsimile of it to be impressed, affixed, manually reproduced, or rubber stamped with indelible ink.

2. **FISCAL YEAR.** The board of directors may, by resolution, adopt a fiscal year for the Cooperative, and if not designated shall be the calendar year.

3. **RECEIPT OF NOTICES BY THE COOPERATIVE.** Notices, member writings consenting to action, and other documents or writings shall be deemed to have been received by the Cooperative when they are received

- (a) At the registered office of the Cooperative in the State of Colorado;

- (b) At the principal office of the Cooperative (as that office is designated in the most recent document filed by the Cooperative with the Secretary of State for the State of Colorado designating a principal office) addressed to the attention of the secretary of the Cooperative;
- (c) By the secretary of the Cooperative wherever the secretary may be found; or
- (d) By any other person authorized from time to time by the board of directors, to receive such writings, wherever such person is found.

4. **RECORDS.** The Cooperative shall at all times keep at its principal offices the following records:

- (a) The original copies of all proceedings of the board of directors, its Articles of Incorporation, its bylaws, and all amendments thereto and of reports made to the members or any of them within the preceding three (3) years;
- (b) A statement of the names and addresses of the principal officers and members of the board of directors.
- (c) A statement of the names and addresses of all members in good standing.
- (d) Appropriate and complete books of account.

A member is entitled to inspect and copy, at the member's expense, during regular business hours at a reasonable location specified by the Cooperative, any of the records described above. A member's agent or attorney shall have the same right of inspection and copying as the member.

5. **AMENDMENT OF BYLAWS.** These bylaws may at any time and from time to time be amended, supplemented, or repealed by a vote of two-thirds (2/3) of the members, at a regular or special meeting, the notice of which meeting shall have stated that consideration would be given at the meeting to amending the bylaws and setting forth the proposed amendment or amendments.

6. **PURPOSE AND CONSTRUCTION.** The Cooperative has been organized to provide high-speed internet access via various technologies to and for the sole benefit of its membership. In addition, the Cooperative may provide other services facilitated by the high-speed internet access to be provided. Accordingly, the Cooperative shall be operated in a cooperative manner and upon principals applicable to cooperative associations generally.

The undersigned directors have adopted the foregoing bylaws as the bylaws of the Magnolia Road Internet Cooperative, effective 26 May 2011

Guy M. Clay
Director

Douglas Thompson
Director

Ric Turley
Director

Amor Caplin
Director

Dick Cobb
Director

Director