

ARTICLES OF INCORPORATION
of
Runestone Telephone Association
(d.b.a. Runestone Telecom Association)

ARTICLE 1

SECTION 1. The name of this association shall be Runestone Telephone Association.

SECTION 2. The conduct of the business of this association shall be upon the cooperative plan. The purpose or purposes for which it is formed is:

a. To provide adequate telephone and other communications services through the construction and operation of facilities, and to do any, and all other things as are required or necessary to assure availability of communications services to the widest number of users in the territory served, or potentially to be served, by this association; and to construct, erect, purchase, lease, and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment, and transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any of the foregoing purposes;

b. To assist its members in acquiring adequate communication services and in connection therewith and for such other purposes, to purchase, acquire, lease, sell, distribute, install and repair communication equipment, fixtures, machines and supplies, apparatus and equipment of any and all kinds and character and to receive, acquire, endorse, pledge, hypothecate and dispose of notes and other evidences of indebtedness;

c. To acquire, own, hold, use, exercise and, to the extent permitted by law, to sell, mortgage, pledge, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful or appropriate to accomplish any or all of the purposes of this association;

d. To purchase, receive, lease as lessees, or in any other manner acquire, own, hold, maintain, sell, exchange and use any and all real and personal property or any interest therein necessary, useful or appropriate to enable this association to accomplish any and all of its purposes;

e. To borrow money and otherwise contract indebtedness for the purposes, or any of them, for which this association is formed, and to issue notes, bonds and other evidences of indebtedness, and to acquire any of its obligations by mortgage, pledge or deed of trust of all or any of its property, assets, franchises and income;

f. To sell and convey, mortgage, pledge, lease as lessor and otherwise dispose of all or part of its property and assets;

g. To do and perform, either for itself or its members, any and all acts and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes, or as may be permitted by the Act under which this association is formed; provided, however, that the conduct of the business this association shall be upon the cooperative plan.

The enumeration of the foregoing powers shall not be held to limit or restrict in any manner the general powers of this Association, and this Association shall be authorized to exercise and enjoy all of the powers, rights and privileges granted to or conferred upon associations of the character of this Association by the laws of the State of Minnesota now or hereafter in force.

SECTION 3. The principal place of transacting the business of this association shall be in Hoffman, in the County of Grant and State of Minnesota.

ARTICLE II

The period of duration of the Association shall be perpetual.

ARTICLE III

SECTION 1. This Association shall be reorganized on a membership basis, and without capital stock.

SECTION 2. No member shall have more than one (1) vote.

SECTION 3. A membership shall be transferable only with the consent and approval of the Board of Directors of this Association.

SECTION 4. The Association shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Association on any capital furnished by its patrons.

SECTION 5. In the furnishing of communication services, the Association's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Association. The Association is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of communication services in excess of operating costs and expenses properly chargeable against the furnishing of communication services; provided that no patronage shall be due with respect to the purchase of any communication service from the Association that is resold by the purchaser or combined with other elements for use in providing a communication service to another person or entity. All such amounts at the moment of receipt by the Association are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital which the Association is obligated to pay by credits to a capital account for each patron. The books and records of the Association 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 patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Association shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Association corresponding amounts for capital. The Board of Directors, at its discretion, shall have the power to separately classify certain Association functions, or groups of patrons so as to more properly account for costs of service and patronage margins supplied by them. The Board of Directors, in making any such separate classifications, may consider a variety of relevant factors, such as the cost of rendering service, the terms and conditions of certain types of service, the terms of agreement with patrons, and the obligations of the parties involved. Accordingly, patronage capital credits may accrue at a different rate for certain

classifications of patrons or for different types of service, resulting in some classifications producing no margins for allocation while other classifications producing allocable margins.

SECTION 6. In the event of dissolution or liquidation of the Association, after all outstanding indebtedness of the Association shall have been paid, outstanding capital credits shall be retired without priority on a prorata basis. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Association will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part in such manner as said Board shall determine. The Board of Directors shall determine the method, basis, priority and order of any such retirements.

SECTION 7. Capital credited to the account of each patron shall be assignable only on the books of the Association pursuant to written instructions from the assigner and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Association unless the Board of Directors, acting under policies of general application, shall determine otherwise.

SECTION 8. The Board of Directors, at its discretion shall have the power at any time upon the death of any patron, if the legal representative of the patron's estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Articles, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors acting under policies of general application and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Association will not be impaired thereby.

SECTION 9. The patrons of the Association, by dealing with the Association, acknowledge that the terms and provisions of the Articles of Incorporation and By-Laws shall constitute and be a contract between the Association and each patron, and both the Association and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article shall be called to the attention of each patron of the Association by posting in a conspicuous place in the Association's office.

SECTION 10. Any and all amounts of non-patronage income received by the Association other than from furnishing telephone and communication services, including, but not limited to, amounts of non-patronage income received as interest, dividends, capital gains and other miscellaneous income, in excess of related costs and expenses, shall insofar as permitted by law, and at the discretion of the Board of Directors:

- a. Be credited to the capital account of each patron on a patronage basis as provided for in Section 5 of this Article III; and/or
- b. Be reserved as retained earnings which shall not be allocated to the patrons of the Association on a patronage basis; and/or
- c. Be used for such purpose or purposes as the Board of Directors may from time to time determine.

SECTION 11. The losses, if any, incurred during any fiscal year from the furnishing of communication services shall be allocated to the patrons, members and nonmembers alike, on a patronage basis and any amounts so allocated shall be included in the determination of the capital credited to the accounts of patrons as herein provided.

ARTICLE IV

The names and residences of the original incorporators of this Cooperative Association and its first Board of Directors are as follows, to-wit:

Names	Residences
1. JOHN J. WILKEN	Alexandria, Minnesota
2. LEWIS BAKER	Osakis, Minnesota
3. ARNE LEE	Evansville, Minnesota
4. WM. S. JOHNSON	Farwell, Minnesota
5. A.M. ETTESVOLD	Morris, Minnesota
6. C.R. HOVE	Alexandria, Minnesota
7. T.A. HAGEN	Elbow Lake, Minnesota

ARTICLE V

SECTION 1. The government of this Association and the management of its affairs and business shall be vested in a Board of Directors consisting of seven (7) * members, who shall be elected by ballot by the members for such terms as the By-Laws may prescribe at the annual meeting of the members as designated in the By-Laws. Any vacancy occurring on the Board of Directors may be filled by the remaining members of the Board, except as otherwise provided by law or the By-Laws of this Association, and any person elected to fill any such vacancy shall hold office until the next annual meeting of the members and until his successor shall have been elected and shall have qualified.

SECTION 2. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with these Articles of Incorporation or the By-Laws of this Association or the laws of the State of Minnesota, as it may deem advisable for the management, administration, and regulation of the business and affairs of this Association.

ARTICLE VI

SECTION 1. Any person (including any legal entity) may become a member of this Association by procuring local, retail telephone services or retail Internet services furnished by this Association to a location within the Association's telephone franchise exchange territory.

SECTION 2. Each member may purchase from the Association communication services, as and when available, and shall pay therefore at rates which shall from time to time be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of communication services which the Association shall be required to furnish to any one member. It is expressly understood that amounts paid for communication services in excess of the cost of services are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these Articles of Incorporation and the By-Laws of the Association. Each member shall pay to the Association such minimum amount per month as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by such member to the Association as and when the same shall become due and payable.

* Effective as of the 2012 Annual Meeting, the size of the board of directors will be reduced from 7 to 6 members. This board size reduction will be accomplished by not electing a director from the Cyrus exchange in 2012, but rather the Cyrus and Kensington exchanges will be represented by one director as of the 2014 director election. The members have approved revisions of the Articles and By-Laws (effective as of the 2012 annual meeting election) to make these changes.

SECTION 3. The By-Laws of this Association may define and fix the duties and responsibilities of the members, officers and directors and may also contain any other provision for the regulation of the business and affairs of this Association not inconsistent with the Articles of Incorporation or the laws of the State of Minnesota.

ARTICLE VII

The fiscal year of this Association shall commence on the 1st day of January and end on the 31st day of December each year.

ARTICLE VIII

This Association reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by law upon an affirmative vote of 55% of all votes cast, in person or by mail.

ARTICLE IX

The By-Laws of this Association may be altered, amended or repealed by the members at any regular or special meeting, provided that the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

ARTICLE X

A director of this Association shall not be personally liable to this Association or its members for monetary damages for breach of fiduciary duty as a director, except for:

- a. Liability based on breach of duty of loyalty to the Association or its members;
- b. Liability for acts or omissions that are not in good faith or that involve intentional misconduct or a knowing violation of law;
- c. Liability for any transaction from which the director derived an improper personal benefit; or
- d. Liability for any act or omission occurring prior to the date this Article X becomes effective.

If Chapter 308A of Minnesota Statutes hereafter is amended to authorize the further elimination or limitation of the liability of a director, then the liability of a director, in addition to the limitation of personal liability provided herein, shall be limited to the fullest extent permitted by the amended Chapter 308A of Minnesota Statutes. Any repeal or modification of this Article by the members of this Association shall be prospective only and shall not adversely affect any limitation on the personal liability of a Director of this Association existing at the time of such repeal or modification.