

**NOTICE OF ANNUAL MEETING
OF THE MEMBERS OF
RUNESTONE TELEPHONE ASSOCIATION
(d/b/a/ RUNESTONE TELECOM ASSOCIATION)**

The Annual Meeting of the Members of Runestone Telecom Association will be held on July 18, 2018 at 7:00 p.m. at the West Central Area School in Barrett, Minnesota.

The purpose of the meeting is to elect directors and to consider approval of proposals as described in the Summary Statement and the Member Ballot.

John Kapphahn, Secretary

The Runestone Telecom Association Annual Report is available online at www.runestone.net, at our office or upon request.

**RUNESTONE TELECOM ASSOCIATION
2018 BALLOT
Two Proposals for Membership Consideration**

VOTING INSTRUCTIONS

Whether you mail or personally deliver your ballot to the Association, please follow these instructions carefully:

1. Vote in favor of or against a proposal by marking an "X" in the box of your choice.
2. Place your ballot in the envelope marked "Enclose Ballot(s)" and seal the envelope (the "secrecy envelope").
3. Place the "secrecy envelope" in the second envelope with the Association's mailing address on it. Your name and return address must be on the outside envelope in order for your vote to be counted.
4. Mail your ballot or deliver the ballot personally to the office of Runestone Telecom Association, 100 Runestone Drive, P.O. Box 336, Hoffman, MN 56339.
5. Ballots must be received by U.S. mail or by personal delivery by 4:00 p.m. on or before July 18, 2018, to be valid. Alternatively, you may attend the annual meeting to cast your ballot. The deadline for casting your ballot at the meeting will be announced by the President. Anticipated closing of the polls will be at approximately 7:15 p.m.
6. See the "Summary Statement and Explanation of the Proposals For Membership Consideration" provided hereafter for information about the proposals.

TO VOTE ON THE PROPOSALS SEE THE ENCLOSED BALLOT.

2018 ANNUAL MEETING RUNESTONE TELECOM ASSOCIATION
SUMMARY STATEMENT AND EXPLANATION OF THE PROPOSALS
FOR MEMBERSHIP CONSIDERATION

NOTE: The Board of Directors recommends approval of all proposals.

INSTRUCTIONS: Complete the enclosed ballot by voting separately on each Proposal.

PROPOSAL #1: Allow retail Internet Customers residing outside the telephone franchise exchange territory membership and board representation in the Cooperative.

The Cooperative's tax exempt status is dependent upon deriving 85% of its revenue from members. With the increase in non-members receiving retail Internet services, it is likely, if not probable, that in the near future less than 85% of the Cooperative's revenues will be generated from members, as that term is presently defined, which, in turn, jeopardizes the Cooperative tax exempt status. The proposed change allows for membership and board representation to those receiving retail Internet services at a location outside the Cooperative's telephone franchise exchange territory.

The Articles of Incorporation and By-Laws must be amended to accommodate this change.

PROPOSAL #2: Clarification of Election and Tenure of Directors and addition of members outside of the Cooperative's telephone franchise exchange territory to the Donnelly, Norcross, Tintah, or Wendell exchange for purposes of Board of Directors representation.

In 2014, the By-Laws were amended to ultimately provide a reduction in the number of directors and to increase the duration of a director's term to five years. In order to achieve this, the By-Laws were amended at the 2014 Annual Meeting to stagger the terms of the director elected from the Lowry exchange in 2016 to two years and the director elected from the Kensington or Cyrus exchange in 2017 to two years. Now that the rotation has been properly established, the Board of Directors recommends a change to the By-Laws that incorporates those permanent changes moving forward. Further, with the addition of members outside of the Cooperative's telephone franchise exchange territory, such new members are entitled to serve on the Board of Directors and exercise voting rights. The Board of Directors recommends adding these new members to the Donnelly, Norcross, Tintah, or Wendell exchange area for purposes of representation on the Board of Directors.

The By-Laws must be amended to accommodate this change.

**RUNESTONE TELECOM ASSOCIATION
EXPLANATION OF THE PROPOSALS FOR MEMBER CONSIDERATION**

(Changes or additions are indicated by underline or by ~~strikethrough~~.)

PROPOSAL #1: Allow retail Internet Customers residing outside the telephone franchise exchange territory membership and board representation in the Cooperative.

Article 1, Section 1 of the By-Laws shall be amended, in part, as follows:

SECTION 1. Requirements for Membership: Any natural person or legal entity with the capacity to enter legally binding contracts will become a member and consents to being a member of Runestone Telephone Association (hereinafter called the “Cooperative”) upon procuring local, retail telephone services or retail Internet services from the Cooperative at a location within the Cooperative’s telephone franchise exchange territory or retail Internet services from the Cooperative at a location outside the Cooperative’s telephone franchise exchange territory, unless the person or legal entity notifies the Cooperative in writing within 60 days of first receiving service from the Cooperative that the person or legal entity does not consent to being a member. Members shall comply with the Articles of Incorporation, these By-Laws, and such policies, rules, and regulations as may be adopted by the Board of Directors.

For good cause, the Board of Directors may refuse a person membership in the Cooperative.

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

Whenever used in the By-Laws, the neuter gender shall be deemed to include the masculine or feminine wherever necessary or appropriate, and the singular shall include the plural.

In addition, Article VI, Section 1 of the Articles of Incorporation shall be amended as follows:

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 or retail Internet services from the Association at a location outside the Association’s telephone franchise exchange territory.

This Proposal, if approved, shall become effective immediately.

PROPOSAL #2: Clarification of Election and Tenure of Directors and addition of members outside of the Cooperative's telephone franchise exchange territory to the Donnelly, Norcross, Tintah, or Wendell exchange for purposes of Board of Directors representation.

Article IV, Section 2 of the By-Laws shall be amended, in part, as follows:

SECTION 2. Election and Tenure of Directors: The Board of Directors ~~shall consist of is divided into three (3) five (5) members classes, the first class consisting of two (2) members as follows:~~ One (1) member from Lowry exchange, ~~and~~ one (1) member from the Donnelly, Norcross, Tintah, or Wendell exchanges ~~or a member outside the telephone franchise exchange territory.~~ ~~The second class to consist of two (2) members as follows: One (1) member from the Kensington or Cyrus exchanges, and one (1) member from the Elbow Lake exchange, and.~~ ~~The third class to consist of one (1) member as follows: One (1) member from the Barrett or Hoffman exchanges.~~ Each director shall serve a five (5) year term and the election to such five year term will begin as follows:

- 2015 – Barrett or Hoffman Exchanges,
- 2016 – Donnelly, Norcross, Tintah, or Wendell Exchanges or a member outside the telephone franchise exchange territory,
- 2017 – Elbow Lake Exchange,
- 2018 – Lowry Exchange, and
- 2019 – Kensington or Cyrus Exchanges.

~~Each class of directors elected prior to the 2015 annual meeting shall serve for a term of three (3) years. Those directors elected after the 2014 annual meeting shall serve a term of five (5) years, provided, however, that in order to establish an appropriate rotation for electing board members, the director elected from the Lowry exchange in 2016 shall serve a two year term and the director elected from the Kensington or Cyrus exchanges in 2017 shall serve a two year term.~~ At each annual meeting the ~~class of directors~~ whose term expires shall be elected to hold office until their successor is duly elected or appointed. Election of directors shall be by ballot and each member shall be entitled to cast one (1) vote for each director to be elected, except as provided below for Uncontested Elections. No member shall be eligible to become or remain a director or to hold any position of trust in the Cooperative who is in any way employed by or financially interested in a competing enterprise. When a membership is held jointly by a husband or wife, either one, but not both, may be elected a director, provided, however, that neither one shall be eligible to become or remain a director or to hold a position of trust in the Cooperative unless both shall meet the qualifications herein above set forth.

When a member of the Board of Directors no longer resides within the ~~exchange~~ area from which he ~~or she~~ was elected, his ~~or her~~ seat shall be automatically vacated and the vacancy shall be filled by the remaining members of the Board of Directors. “Area” as used in these Articles of Incorporation and the By-laws when relating to residency requirements and qualifications of directors requires that a director live in the exchange area he or she represents, except the director for the “Donnelly, Norcross, Tintah, or Wendell Exchanges or a member outside the telephone franchise exchange territory” may live in one

of the identified exchange areas or entirely outside the telephone franchise exchange, so long as he or she is a member.

Uncontested Elections. If for any election there is only one nominee for a board position so that the nominee is running unopposed, ballots need not be mailed to the members, and the election shall be made by the chairperson of the meeting entertaining a motion to elect the single candidate by a voice vote.

Contested Elections. If for any election there is more than one (1) nominee for a director position (a “contested election”), then the election shall be by ballot and each member shall be entitled to cast one (1) vote for each director position. Any member who is absent from any annual or special meeting of the members may vote by mail on any contested election of directors on the ballot herein prescribed. The ballot shall be in the form prescribed by the Board of Directors and mailed to each member not less than 15 days nor more than 45 days prior to the meeting. The ballot shall be marked “Ballot for Directors” and shall contain the names of all the candidates in the contested election. The names of the candidates shall be arranged alphabetically on the ballot by last name, and any incumbent director shall be so designated. Members may not vote for write-in candidates. The candidate with a plurality of votes cast shall be elected. In the case of a tie vote, the winner shall be determined by a flip of a coin. The members may, at any meeting at which a director or directors shall be removed, as hereinafter provided, elect a successor or successors thereto without compliance with the foregoing provisions with respect to balloting by mail.

Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

In addition, Article IV, Section 3 of the By-Laws shall be amended as follows:

SECTION 3. Qualifications: No person shall be eligible to become or remain a director of the Cooperative, who:

a. is not a member receiving local, retail telephone or retail Internet service, or both, from the Cooperative at his or her residence in the exchange area that the director represents or would represent if elected;

b. does not have his or her primary residence in the exchange area from which he or she is elected or for which he or she is a candidate; (Establishment of primary residence shall include the requirement that the person physically occupy the location as his or her home for at least nine months each year.)

c. is in any way employed by, an agent, officer, or director of, or substantially, financially interested in an enterprise substantially competing with the Cooperative or a business engaged in selling telephone service or supplies or construction or maintaining telephone facilities, other than a business operating on a cooperative non-profit basis for the purpose of furthering rural telephony.

d. within five (5) years preceding a director candidate’s nomination was or during service on the Board of Directors is adjudged to be guilty of a felony;

e. within three (3) years preceding a director candidate’s nomination or during service on the Board of Directors was an employee of the Cooperative;

f. is a close relative of any existing director;

g. is a close relative of an employee of the Cooperative;

h. is or becomes a full-time employee or agent or, who is or becomes a full-time employer or principal of, another director;

i. does not have the capacity to enter legally binding contracts;

j. unless excused for good cause by the board, is absent from three or more regular meetings of the Board of Directors during any twelve month period. If a director participates in more than one regular meeting during any consecutive twelve month period by electronic communication, that director shall be considered absent from that meeting for purposes of this paragraph.

A “close relative” as used in these By-Laws is a person who:

a. is by blood (including adoptive relations) a child, grandchild, parent, grandparent, or sibling;

or

b. is a spouse or resides in the same residence.

Any individual properly qualified and elected or appointed as a director does not become a close relative while serving as a director because of any marriage or legal action to which the individual was not a party.

If the Board of Directors determines that any director nominee or any existing director lacks eligibility under this Section, it shall be the duty of the board to disqualify any such nominee or to remove any such director from the Board of Directors, as the case may be.

Notwithstanding anything contained in this Section, failure to comply with any of the provisions of this Section shall not affect in any manner whatsoever the validity of any election of directors or any action taken by them.

This Proposal, if approved, shall be effective immediately.