

Bylaws
of
Park Electric Cooperative, Incorporated

Last Amended October 2006

**ARTICLE I
MEMBERSHIP**

SECTION 1. REQUIREMENTS FOR MEMBERSHIP. Any person, firm, association, corporation or body politic or subdivision thereof may become a member in Park Electric Cooperative, Inc., (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he or it has first:

- (a) Made a written application for membership therein;
- (b) Agreed to purchase from the Cooperative electric energy as hereinafter specified;
- (c) Agreed to comply with and be bound by the articles of incorporation and the bylaws of the Cooperative and any rules and regulations adopted by the Board of Trustees; and
- (d) Paid the Membership fee hereinafter specified.

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 bylaws.

SECTION 2. MEMBERSHIP CERTIFICATES. Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board of Trustees. Such certificate shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid for in cash. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board of Trustees, may prescribe.

SECTION 3. JOINT MEMBERSHIP.

Any two persons receiving electric service from the cooperative at the same location may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member," as used in these Bylaws shall be deemed to include two persons 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, the effect of the hereinafter specified actions by or in respect to the holders of a joint membership shall be as follows:

- (a) The vote of either separately or both jointly shall constitute one joint vote;
- (b) A waiver of notice signed by either or both shall constitute a joint waiver; Notice to either shall constitute notice to both;
- (d) Expulsion of either shall terminate the joint membership;
- (e) Withdrawal of either shall terminate the joint membership;
- (f) Either, but not both, may be elected or appointed as an officer or trustee, provided that both meet the qualifications for such office.

SECTION 4. CONVERSION OF MEMBERSHIP.

A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and another party receiving electric services from the cooperative at the same location to comply with the articles of incorporation, bylaws and rules and regulations adopted by the Board of Trustees.

- (b) Upon the death of either party who is a party to the joint membership, such membership shall be held solely by the survivor.

SECTION 5. MEMBERSHIP. The membership fee shall be ten dollars upon the payment of which a member shall be eligible for one service connection.

SECTION 6. PURCHASE OF ELECTRIC ENERGY. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefore at rates which shall from time to time be fixed by the Board of Trustees. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these bylaws. Each member shall pay to the Cooperative such minimum amount per month regardless of the amount of electric energy consumed, as shall be fixed by the Board of Trustees from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

SECTION 7. TERMINATION OF MEMBERSHIP. Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Trustees may prescribe. The Board of Trustees of the Cooperative may, by the affirmative vote of not less than two-thirds of all the trustees, expel any member who shall have refused or failed to comply with any of the provisions of the articles of incorporation, bylaws or rules or regulations adopted by the Board of Trustees, but only if such member shall have been given written notice by the Cooperative that such refusal or failure makes him liable to expulsion and such refusal or failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board of Trustees or by vote of the members at any annual or special meeting. Upon withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBER

SECTION 1. PROPERTY INTEREST OF MEMBERS. Upon dissolution after:

- (a) all debts and liabilities of the Cooperative shall have been paid, and
- (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members.

SECTION 2. 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 III MEETING OF MEMBERS

SECTION 1. ANNUAL MEETING. The annual meeting of the members shall be held during the months of either October or November of each year, beginning with the year of 1969, at such place within a county served by the Cooperative, as selected by the Board of Trustees and which shall be designated in the notice of the meeting, for the purpose of electing board members, passing on reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the

board of Trustees to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work 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 Trustees or upon written request signed by any three trustees, by the President, or by ten per centum 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 one of the counties served by the Cooperative designated by the Board of Trustees and specified in the notice of the Special Meeting.

SECTION 3. NOTICE OF MEMBERS' MEETING. Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting or annual meeting at which business other than that listed in Section 8 of this Article 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, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual meeting or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. QUORUM. As long as the total of members does not exceed five hundred, ten per centum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed five hundred, fifty members or five per centum of the members, 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 from time to time without further notice, provided, that the Secretary shall notify any absent members of the time and place of such adjourned meeting.

SECTION 5. VOTING. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, the articles of incorporation of these Bylaws. No voting by mail or by proxy shall be permitted.

SECTION 6. VOTING DISTRICTS.

District 1 shall include members whose services lie North of the Rock Creek road near Clyde Park, between the Bridger and Crazy Mountains. Included is Wilsall, the upper Shields and the Sedan area. The area is specifically described as points North; of Sections 25~30 of Ranges 6E and R7E, Sections 27~30, 35~36 of R8E, Sections 31~36 of R9E ~ R11E all in T2N and all laying West of R12E.

District 2 shall include members whose services lie from the north end of the canyon at the north end of Paradise Valley, running south to the Mill Creek area. The area is specifically described as being bound to the North by the North boundary of T3S R8E~R10E. The District is bound to the South by the South boundary of Sections 13~18 of T5S R8. The District is bound to the East by the East boundary of R10E. The District is bound to the West by the Park County/Gallatin County line along T3S~T4S and by the West boundary of Sections 6, 7 & 18 and the East boundary of Sections 24, 25 & 36 of T5S R8E and the West boundary of R9E Townships 6S and higher.

District 3 shall include members whose services lie South of the Rock Creek road to nearly two miles North East of Livingston including Clyde Park, Bracket Creek, Mission Creek and the lower Shields. The area is specifically described as bound to the North by District 1. The district is bound to the East by the East boundary of T11E excepting the inclusion of Section 7 T3S R12E. This district is bound to the West by District 2 in T1S~T3S. This District is bound to the South by Districts 2 and 6.

District 4 shall include members whose services lie in the Gallatin Valley and its tributaries and whose services lie West of Livingston to the Gallatin County/Park County line, the Livingston area up to 2 miles NE of Livingston, extending South to the north end of the canyon that also borders Paradise Valley. The area is specifically described in Gallatin County as bound to the North by the North boundary of T1S, bound to the South by the Gallatin County/Park County line, and in Park County bound to the North by the North boundary of T1S R8E, of Sections

19~24 of T1S R9E, bound to the east by the East boundary of Sections 1, 12 & 13, T1S R8E and Sections 24, 25 & 36, T1S R9E, the East boundary of T2S R9E. The district is bound to the South in Park County by the North boundary of T3S R8E~R9E.

District 5 shall include members whose services lie in the upper Paradise Valley laying south of a point north of Pray and Emigrant. The area is specifically described as bound to the North and East by District 2 and the E/W portion of the Park County/Gallatin County line. The district is bound to the West by N/S portions of the Gallatin County line.

District 6 shall include members whose services lie in the Boulder River drainage, North to a point approximately two miles South of Big Timber. The area is specifically described as bound to the North by the North boundary of; Sections 13 & 14 T3S R11E, T2S R12E & R13E, excepting Section 7 T3S R12E is in District 3, Sections 4, 5 & 18 of T1S R14E, Sections 25, 26, 27 & 33 of T1N R14E, Sections 7~12 of T1S R15E. This District is bound to the West by the West boundary of; Sections 27 of T1S R15E. This District is bound to the West by the West boundary of; Sections 27 & 33 T1N R14E, Sections 5, 8, 18, 19, 30 & 31 T1S R14E, the West boundary of T2S R12E, the West boundary of Sections 6 & 8 of T3S R12E, and the West boundary of the South 2/3 of T3S R11E, and the West boundary of T4S R11E and the Range 10E/11E boundary for all points South. The District is bound to the East by the East boundary of Sections 25 and 36 T1N R14E, Section 1 T1S R14E, Section 12, 13, 24, 25 & 36 of T1S R15E, and by the R15E/R16E boundary for all points South.

District 7 shall include members whose services lie in the Springdale area, areas West, North and East of Big Timber and South of Big Timber to a point approximately two miles South of Big Timber. The area is specifically described as all points East of Districts 1 & 3 and North and/or East of District 6. All described Townships and Ranges lie in the Montana Principle Meridian. A Plat showing the above described boundaries shall be kept in the Park Electric Headquarters Office.

SECTION 7. NOMINATIONS AND ELECTION OF TRUSTEES.

- (a) Nominating Committee Nominations. At least thirty (30) days prior to any member meeting at which members are scheduled to elect Trustees, the Board of Trustees shall appoint a Nominating Committee consisting of at least one member from each district wherein an election is to be held. No officer or member of the Board of Trustees shall be appointed a member of such committee. At least twenty (20) days prior to the member meeting at which members are scheduled to elect Trustees, the Nominating Committee shall:
 - (1) Nominate at least one individual to run for election at each Trustee position for which members are scheduled to vote at the member meeting (“Nominating Committee Nominations”); and
 - (2) By Trustee District post the Nominating Committee Nominations at the Cooperative’s principal office.
- (b) Member Petition Nominations. Members may nominate additional individuals to run for election for any Trustee position for which members are scheduled to vote at any member meeting (“Member Petition Nominations”). Members make Member Petition Nominations by delivering to the Board, at least twenty (20) days prior to the member meeting, a writing for each Member Petition Nomination (“Member Petition”):
 - (1) Listing the name of the Member Petition Nominee;
 - (2) Indicating the Trustee position for which the Member Petition Nominee will run; and
 - (3) Containing the printed names, addresses and telephone numbers and original signatures of at least ten members residing within the District wherein the Trustee is to be elected.

After verifying that a Member Petition complies with this Bylaw, the Cooperative shall post the Member Petition Nomination in the same location as the Nominating Committee Nominations.

- (c) Notice of Trustee Nominations. Not less than ten (10) days before an annual or special meeting of the members at which Trustees are to be elected, the Secretary of the Cooperative shall mail to each member a

list of the Nominating Committee Nominations and the Member Petition Nominations, if any. This list may be included with the Notice of the Meeting.

- (d) Election of Trustees. At the meeting, the Secretary of the Cooperative shall place in nomination the names of the official candidates of each District. Election of Trustees shall be by printed or mimeographed ballot. The ballots shall list the candidates selected by the Nominating Committee and the nominations made by Member Petition, if any. Each member of the Cooperative present at the meeting shall be entitled to vote for one candidate from each District. The candidate from each District receiving the highest number of votes at this meeting shall be considered elected as Trustee. In the case of a tie Trustee vote, the Trustee elected is determined by a drawing by lot.

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 essentially as follows:

1. Report as to the numbers of members present in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereupon.
4. Presentation and consideration of reports of officers, trustees and committees.
5. Election of trustees.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE IV TRUSTEES

SECTION 1. GENERAL POWERS. The business and affairs of the Cooperative shall be managed by a board of seven trustees which shall exercise all of the powers of the Cooperative except such as are by law, the articles of incorporation or these Bylaws conferred upon or reserved to the members.

SECTION 2. QUALIFICATION AND TENURE. At the 1966 annual meeting, seven directors shall be elected to serve terms as follows:

- Two elected for one year term;
- Two elected for two year terms;
- Three elected for three year terms.

At each annual meeting of the members beginning with the year 1967, trustees shall be elected by ballot, by and from the members, to fill the expiring term of any district trustee, such trustee to be elected for the term of three years or until their successors shall have been duly elected and shall have qualified. The trustees so elected must reside within the same district as the trustees they are replacing. If the election of trustees has been on the day designated herein for the annual meeting, or at any adjournment thereof, the Board of Trustees shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be.

No person shall be eligible to become or remain a trustee or to hold any position of trust in the Cooperative who:

- (a) Is not a member of the Cooperative and a bona fide resident of the particular district which he is to represent, or
- (b) Is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures, or supplies to the members of the Cooperative.

Upon establishment of the fact that a trustee is holding office in violation of any of the foregoing provisions, it shall immediately become incumbent upon the Board of Trustees to remove such trustee 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 of Trustees.

SECTION 3. REMOVAL OF TRUSTEES BY MEMBERS. Any member may bring charges against a trustee by filing such charges in writing with the Secretary, together with a petition signed by at least ten per centum of the members and request the removal of such trustee by reason thereof. The trustee against whom such charges have been brought shall be informed in writing of the charges at least five days prior to the 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 him shall have the same opportunity. The question of the removal of such trustee shall be considered and voted upon at the next regular or special meeting of the members and 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, except that the new trustee must reside in the same district as the trustee in respect of whom the vacancy occurs.

SECTION 4. VACANCIES. Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of trustees by the members, a vacancy occurring in the Board of Trustees shall be filled by the affirmative vote of a majority of the remaining trustees for the unexpired portion of the term of the trustee in respect of whom the vacancy occurs. The member elected as trustee to fill the vacancy must reside in the same district as the trustee to whose office he succeeds.

SECTION 5. COMPENSATION. Trustees as such shall not receive any salary for their services, but by resolution of the Board of Trustees a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the Board of Trustees. No trustee shall receive compensation for serving the Cooperative in any other capacity nor shall any close relative of a trustee receive compensation for serving the Cooperative, unless the payment of compensation shall be specifically authorized by a vote of the members or the service by such trustee or close relative shall have been certified by the Board of Trustees as an emergency measure.

ARTICLE V MEETINGS OF TRUSTEES

SECTION 1. REGULAR MEETINGS. A regular meeting of the Board of Trustees shall be held without notice other than this Bylaw, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Trustees shall also be held monthly at such time and place in Park County, Montana, as the Board of Trustees may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. SPECIAL MEETINGS. Special meetings of the Board of Trustees may be called by the President or by any three trustees, 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 trustee calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 3. NOTICE OF BOARD MEETINGS. Written notice of the time, place and purpose of any Special Meeting of the Board shall be delivered to each board member either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the board member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the U.S. Mail, addressed to the board member at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

SECTION 4. QUORUM. A majority of the Board of Trustees shall constitute a quorum, provided that if less than such majority of the trustees is present at said meeting, a majority of the trustees present may adjourn that meeting from time to time; and provided further, that the Secretary shall notify any absent trustees of the time and place of such adjourned meeting. The act of the majority of the trustees present at a meeting at which a quorum is present shall be the act of the Board of Trustees except as otherwise provided in these Bylaws.

ARTICLE VI OFFICERS

SECTION 1. NUMBER. The officers of the Cooperative shall be a President, Vice-President, Secretary and Treasurer, and such other officers as may be determined by the Board of Trustees 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 and from the Board of Trustees at the meeting of the Board of Trustees held directly 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 of Trustees following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board of Trustees for the unexpired portion of the term.

SECTION 3. REMOVAL OF OFFICERS AND AGENTS BY TRUSTEES. Any officer or agent elected or appointed by the Board of Trustees may be removed by the Board of Trustees whenever in its judgement the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer by filing such charges in writing with the Secretary, together with a petition signed by ten per centum of the members, and request the removal of the particular officer by reason thereof. The officer against whom such charges have been brought shall be informed in writing of the charges at least five days prior to the 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 him shall have the same opportunity. The question of the removal of such officer shall be considered and voted upon at the next regular or special meeting of the members.

SECTION 4. PRESIDENT. The President shall:

- (a) Be the principal executive officer of the Cooperative, and, unless otherwise determined by the members of the Board of Trustees, shall preside at all meetings of the members and the Board of Trustees;
- (b) Sign, with the Secretary, certificate of membership, the issue of which shall have been authorized by the Board of Trustees or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Trustees to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Trustees 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 of Trustees from time to time.

SECTION 5. VICE-PRESIDENT. In the absence of the President, or in the event of his 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 all such other duties as from time to time may be assigned to him by the Board of Trustees.

SECTION 6. SECRETARY. The Secretary shall be responsible for:

- (a) Keeping the minutes of the meetings of the members and of the Board of Trustees 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) The safekeeping of the corporate records and of the seal of the Cooperative and affix the seal of the Cooperative to all certificates of membership prior to the issue and 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 and post office addresses of all members.
- (e) Signing, with the President, certificates of membership, the issue of which shall have been authorized by the Board of Trustees or the members;
- (f) Keeping on file at all times a complete copy of the articles of incorporation 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, forward a copy of the Bylaws and of all amendments thereto to each member upon request; 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 to him by the Board of Trustees.

SECTION 7. TREASURER. The Treasurer shall be responsible for:

- (a) The custody of all funds and securities of the Cooperative;
- (b) The receipt of and the issuance of receipts for moneys due and payable to the Cooperative from any source whatsoever, and for the deposit of all such moneys in the name of the Cooperative in such bank or banks as shall be selected in accordance with provisions of these Bylaws, and
- (c) Performing all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Trustees.

SECTION 8. MANAGER. The Board of Trustees may appoint a manager who may be, but who shall not be required to be a member of the Cooperative. The Manager shall perform such duties and shall exercise such authority as the Board of Trustees may from time to time vest in him.

SECTION 9. BONDS OF OFFICERS. The Treasurer and any other officer or agent of the Cooperative charged with the responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the Board of Trustees shall determine. The Board of Trustees in its discretion may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

SECTION 10. COMPENSATION. The powers, duties and compensation of any officers, agents and employees shall be fixed by the Board of Trustees, subject to the provisions of these Bylaws with respect to compensation for trustees and close relatives of trustees.

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 VII NON-PROFIT OPERATION

SECTION 1. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED. The Cooperative 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 Cooperative on any capital furnished by its patrons.

SECTION 2. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative 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 electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. 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 patrons, members and non-members alike as capital. The Cooperative is obligated to pay by credits to a capital account for each patron 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 patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of 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 Cooperative corresponding amounts for capital.

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 prorata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidations, the Board of Trustees shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Except as provided in Section 4 hereof, 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. Any proposed future general capital credits retirements shall be made only after considering the financial plans of the Cooperative and the RUS Mortgage requirements. Except as provided in Section 4 hereof, in no case is it the intention of the Cooperative to retire capital credits ahead of a minimum ten-year cycle, excepting retirements to estates and, in the discretion of the Board of Trustees, a percentage of capital accumulated in more current years. Except as provided in Section 4 hereof, in the event the Board of Trustees elects to retire capital at the end of any fiscal year, as aforesaid, then at least fifty percent (50%) of the funds allocated for retirement of capital for such fiscal year shall be paid in order of priority according to the year in which the capital was furnished and credited, the capital being first received by the Cooperative being first retired. The remainder of such funds allocated for retirement of capital for such fiscal year may, in the discretion of the Board of Trustees, be allocated to the retirement of capital accumulated in more current years, without regard to priority according to the year in which the capital was furnished and credited.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative unless the Board of Trustees acting under policies of general application, shall determine otherwise. In the event that a non-member patron shall elect to become a member of the Cooperative the capital credited to the account of such non-member patron may be applied by the Cooperative toward the payment of a membership fee on behalf of such non-member patron. Notwithstanding any other provision of these Bylaws, the Board of Trustees, at its discretion, shall have the power at any time upon the death of a patron, if the legal representative of his estate shall request in writing that the capital credited to such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Trustees 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 Cooperative will not be impaired thereby.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron and both the Cooperative 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 of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

SECTION 3. PATRONAGE REFUNDS IN CONNECTION WITH FURNISHING OTHER SERVICES. In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the

furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons, members and non-members alike, from whom such amounts were obtained.

SECTION 4. REDEMPTION OF PATRON EQUITY CREDITS AT A DISCOUNT. Notwithstanding any other provision of these Bylaws, the Board of Trustees, in its sole discretion, may establish an equity discounting program whereby existing allocated equity balances may be paid in cash at a discount to patrons or former patrons. Participation in the equity discounting program will be exclusively at the election of the patron or former patron. As authorized by Section 2 of this Article, the Board will establish a rotation cycle for all allocated equity; that cycle will serve as the period for normal equity redemption as well as the maximum number of discount periods for early redemption of current equity allocations. For redemption of earlier allocated equity, the rotation cycle will also be used to determine the number of remaining years for each equity vintage before redemption would occur. All calculations will be made to the most recent year-end date of the Cooperative. The Board of Trustees will determine the discount rate to be used in calculation of the early redemption amount for all vintages from the original face value for each year which early redemption is sought. The unredeemed amount (i.e., the face amount less the discounted amount paid in cash) will be either transferred to non-voting Class B stock of the Cooperative or paid to the participant in the form of a special capital credit certificate. In either case, those instruments will be redeemable to participating patrons only upon dissolution of the corporation. Records of participants' identity, taxpayer identification number, last known address, and amounts transferred to non-voting, Class B stock or paid by special capital credit will be maintained. The Board of Trustees is authorized to suspend the discounting program if, in their sole judgment, such action is in the best interest of the Cooperative. Further, the Board is authorized to adopt administrative policies and rules for the effective implementation of the program.

ARTICLE VIII DISPOSITION OF PROPERTY

The Cooperative may not sell, lease or otherwise dispose of all or any substantial portion of its property unless such sale, lease or other disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all of the members of the Cooperative, and unless the notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the board shall determine, to secure any indebtedness of the Cooperative, provided further that the board may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another Cooperative or foreign corporation doing business in this State pursuant to the Act under which this cooperative is incorporated.

ARTICLE IX 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, Montana."

ARTICLE X FINANCIAL TRANSACTIONS

SECTION 1. CONTRACTS. Except as otherwise provided in these Bylaws, the Board of Trustees 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. Except as otherwise provided by law or in these Bylaws, all checks, drafts, or other orders for the payment of money, and all notes, bonds or other evidence of indebtedness issued in the name of the Cooperative, shall be signed and/or countersigned by such officer or officers, agent or agents, or employee or

employees of the Cooperative, and in such manner as shall from time to time be determined by resolution of the Board of Trustees.

SECTION 3. DEPOSITS AND INVESTMENT OF FUNDS. All funds, except petty cash, of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Trustees may select.

The Board of Trustees may invest money not necessary for immediate use by the cooperative in:

- (a) National Rural Utilities Cooperative Finance Corporation;
- (b) Securities issued by agencies of the United States;
- (c) Securities guaranteed by the United States or by an agency of the United States not issued by agencies of the United States or
- (d) Mutual Funds that invest only in:
 - i) Government obligations;
 - ii) Securities issued by agencies of the United States;
 - iii) Securities guaranteed by the United States or by an agency of the United States but not issued by agencies of the United States.

The Board of Trustees may invest in these obligations either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80 a-1 through 80 a-64) as amended, if:

- (a) The portfolio of the investment company or investment trust is limited to United States Government obligations and repurchase agreements fully collateralized the United States Government obligation; and
- (b) The investment company or investment trust takes delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian.

SECTION 4. CHANGE IN RATES. Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America not less than ninety days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

SECTION 5. FISCAL YEAR. The fiscal year of the Cooperative shall begin the first day of January of each year and end on the thirty-first day of December.

ARTICLE XI MISCELLANEOUS

SECTION 1. MEMBERSHIP IN OTHER ORGANIZATIONS. Repealed

SECTION 2. WAIVER OF NOTICE. Any member or trustee may waive in writing, any notice of a meeting required to be given by these Bylaws. The attendance of a member or trustee at any meeting shall constitute a waiver of notice of such meeting by such member or trustee, except in case a member or trustee shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 3. POLICIES, RULES AND REGULATIONS. The Board of Trustees shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the articles of incorporation or these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 4. ACCOUNTING SYSTEM AND REPORTS. The Board of Trustees shall cause to be established and maintained a complete accounting system which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may be designated by the

Administrator of the Rural Utilities Service of the United States of America. All accounts of the Cooperative shall be examined by a committee of the Board of Trustees which shall render reports to the Board of Trustees at least four times a year at regular meetings of the Board of Trustees. The Board of Trustees 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 following annual meeting.

SECTION 5. AREA COVERAGE. The board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who:

- (a) desire such service and
- (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

ARTICLE XII AMENDMENTS

These Bylaws may be altered, amended or repealed by the members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.