

BYLAWS
OF
HILL COUNTY ELECTRIC COOPERATIVE, INC.

HAVRE, MONTANA
INCLUDING AMENDMENTS THROUGH MAY 17, 2003

Articles of Incorporation
of
Hill County Electric Cooperative, Inc.

executed pursuant to the Rural Electric Cooperative Act, Chapter
172 of Montana Session Laws, 1939.

We, the undersigned, do hereby execute the within Articles for the purpose of organizing a cooperative, non-profit, membership corporation (herein designated as the "Cooperative") under the Laws of the State of Montana pursuant to "An Act authorizing the creation and incorporation of electric co-operative, non-profit membership corporations to engage in rural electrification", etc., Montana, 1939, Session Laws, Chapter 172, and known as the "Rural Electric Cooperative Act".

FIRST

The Name of the Cooperative is HILL COUNTY ELECTRIC COOPERATIVE, INC.

SECOND

The Address of the principal office of the Cooperative is Havre, Montana.

THIRD

The names and addresses of the incorporators of the Cooperative are:

NAMES	ADDRESSES
Swen A. Twedt.....	Rudyard, Montana
L. J. Koble.....	Kremlin, Montana
M. R. Crowe.....	Havre, Montana
Ole Berg.....	Simpson, Montana
Peter Wallum.....	Gildford, Montana

FOURTH

The names and addresses of the persons who shall constitute the first Board of Trustees of the Cooperative are:

NAMES	ADDRESSES
Swen A. Twedt.....	Rudyard, Montana
L. J. Koble.....	Kremlin, Montana
M. R. Crowe.....	Havre, Montana
Ole Berg.....	Simpson, Montana
Peter Wallum.....	Gildford, Montana

IN WITNESS WHEREOF, WE HAVE SET our hands this 25th day of October, A.D. 1945.

Swen A. Twedt (SEAL)
L. J. Koble (SEAL)
M. R. Crowe (SEAL)
Ole Berg (SEAL)
Peter Wallum (SEAL)

STATE OF MONTANA,)
) ss.
COUNTY OF HILL,)

On this 25th day of October, in the year 1945, before me, the undersigned, a Notary Public in and for said County, residing there-in, duly commissioned and sworn, personally appeared SWEN A. TWEDT, L. J. KOBLE, M. R. CROWE, OLE BERG, and PETER WALLUM, known to me to be the persons whose names are subscribed to the within instrument, and acknowledged to me that they executed the same.

IN WITNESS Whereof, I have hereunto set my hand and affixed my official seal at my office in said Hill County the day and year in this certificate last above mentioned.

O.C. HAUGE (SEAL)

NOTARY PUBLIC for the State of Montana, Residing at Havre, Montana.
My Commission expires July 14, 1947.

Department Of The
Secretary Of State
of the
STATE OF MONTANA
Be it known that
Hill County Electric Cooperative, Inc.

In accordance with the provisions of Chapter 172 of the Laws of Montana of 1939, has caused to be filed in the office of the Secretary of State of the State of Montana, its Articles of Incorporation on the fifth day of November, A.D. 1945.

NOW, THEREFORE, I, Sam W. Mitchell, Secretary of State of the State of Montana, do hereby certify that the Articles of Incorporation of

Hill County Electric Cooperative, Inc.

containing the required statement of facts prescribed by Chapter 172 of the Laws of Montana of 1939, having been filed in this office, such Association is a body corporate and politic and is authorized to do business in the State of Montana, with continual succession.
(SEAL)

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of Montana, at Helena, the Capital, this fifth day of November, A.D. 1945.

SAM W. MITCHELL, Secretary of State
By CLIFFORD L. WALKER, Deputy

BYLAWS OF
HILL COUNTY ELECTRIC COOPERATIVE, INC.

ARTICLE I
MEMBERSHIP

SECTION 1.01. Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof shall become a member of Hill County Electric Cooperative, Inc. (**Cooperative**) upon receipt of any electric services from the Cooperative. Each member shall:

- (a) complete a written application for service and membership on such forms as the Cooperative shall prescribe; and
- (b) comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any rules, regulations and policies adopted by the board of trustees (Board), including rate schedules and rate classifications established pursuant thereto; and
- (c) pay such membership, connection, re-connection, security, facilities extension and construction fees and deposits as may be fixed or required by any rule, regulation or policy adopted by the Board; and
- (d) execute and deliver to the Cooperative such grants of easements and rights-of-way on, over, under and across all lands owned, leased or otherwise controlled by the member, and in accordance with such reasonable terms and conditions as the Cooperative requires for purposes of:
 - (1) furnishing such services to such member and to other members;
 - (2) construction, operation, maintenance and relocation of the Cooperative's facilities; and
 - (3) satisfaction or facilitation of any obligation incurred or right granted by the Cooperative to third parties regarding the use of the Cooperative's property.
- (e) hold no more than one membership in the Cooperative, and no membership shall be transferable, except as provided in these bylaws.

In addition to complying with all of the foregoing requirements of membership, any former member may renew and reactivate membership in the Cooperative by paying all of such former member's account balances, plus interest thereon at the rate from time to time established by the Board. For purposes of these bylaws, the term "former member" shall include a close relative of a former member who lives or resides with such former member in the same premises formerly served by the Cooperative.

SECTION 1.02. Classification of Member Business. In its sole discretion and in accordance with an established membership service classification policy, the Board may separately classify certain functions or services, or groups or types of functions or services, so as to more effectively account for costs of service for and patronage margins supplied by members using each such classification. In allocating expenses and patronage capital credits, the Board may consider a variety of relevant factors such as the cost of rendering various classes or types of service, the terms and conditions of certain types of service, the terms of agreements with members and the obligations of the parties involved. Accordingly, patronage capital credits may accrue at a different rate for certain classifications or different types or classes of service, resulting in some classifications producing no margins for allocation while other classifications produce allocable margins. If Cooperative activities and margins are separately classified in this manner, each member's patronage capital credit allocation will show the patronage capital allocated for each class of function, service or group to which the member subscribes or belongs.

SECTION 1.03. Evidence of Membership. Membership in the Cooperative shall be evidenced by the assignment to each member of an identification number and by the enrollment of each member into a written membership record maintained by the Cooperative.

SECTION 1.04. Joint Membership. A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1.01 of this Article, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include a husband and wife holding a joint membership, and any provisions relating to the rights and liabilities of membership apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the following actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both is regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly constitutes one joint vote;
- (c) A waiver of notice signed by either or both constitutes a joint waiver;
- (d) Notice to either constitutes notice to both;
- (e) Expulsion of either terminates the joint membership;
- (f) Withdrawal of either terminates the joint membership;
- (g) Either joint member may be elected or appointed as an officer or trustee, provided that the one so elected meets the qualifications for such office, but both joint members may not be elected, appointed or serve as trustees at the same time.

SECTION 1.05. Conversion of Membership. A membership may be converted to a joint membership on the written request of a member and written agreement by the member and the member's spouse to comply with the articles of incorporation, bylaws, rules, regulations and policies adopted by the Board.

SECTION 1.06. Purchase of electric energy.

- (a) Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in the application for membership, and shall pay therefore at the rates and within the rate classifications from time to time

established by the Board. 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, regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by that member to the Cooperative as and when the same shall become due and payable, together with interest on any delinquent amounts at the rate from time to time established by the Board.

- (b) The Cooperative will use reasonable diligence to furnish adequate and dependable electric services to its members, but it cannot and does not guarantee uninterrupted service nor will it always be able to provide every service desired by each member.
- (c) When a member receives electric services from the Cooperative at more than one service connection or location, any payment by such member for service shall be deemed allocated to and paid or credited on a pro-rata basis to all of that member's outstanding accounts for all of such service connections or locations, even though the Cooperative's actual accounting procedures may not reflect such allocation and proration.

SECTION 1.07. Termination of membership.

- (a) The Board may, by the affirmative vote of not less than two-thirds of all the trustees, expel any member who fails to comply with any of the provisions of the articles of incorporation and bylaws of the Cooperative or any rules, regulations or policies adopted by the Board, but only if such member shall have been given written notice by the Cooperative that such failure makes the member liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting.
- (b) If a member fails or ceases to receive electric services from the Cooperative, or upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or the member's estate from any debts and obligations due the Cooperative, including but not limited to any unpaid charges for services and any unpaid connection, facilities extension and construction fees or charges, and any unpaid interest on any of such amounts at the rate from time to time established by the Board.

SECTION 1.08. Contract with Members. The members 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 member, and both the Cooperative and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this section of the bylaws shall be called to the attention of each member of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

SECTION 2.01. 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, as nearly as practicable as determined by the Board, among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the seven (7) years next preceding the date of the filing of the certificate of dissolution, or, if the Cooperative shall not have been in existence for such period, during the period of its existence.

SECTION 2.02. 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.

SECTION 2.03. Cooperative and Member Property Rights.

- (a) The Cooperative, through its authorized employees, agents and independent contractors, shall have access at reasonable hours to install, construct, inspect, maintain, replace, relocate or repair all property owned by the Cooperative and situated or located on lands or property owned by members. No member shall have the right to replace, remove, relocate, rearrange or otherwise disturb any of the Cooperative's property placed on lands or property owned by the member.
- (b) A member shall have the right to make changes in, replace, remove, relocate or rearrange facilities or equipment owned by the member and used in connection with the Cooperative's electric services, provided, however, that the member shall indemnify and hold the Cooperative harmless from any and all claims of any kind or nature, including death of, injury, loss or damage to person or property, resulting or arising from any such changes, replacement, removal, relocation or rearrangement.

ARTICLE III

MEETINGS OF MEMBERS

SECTION 3.01. Annual Meeting. The annual meeting of the members shall be held during the month of May of each year at Havre, Montana, for purposes of electing Board members, passing upon 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 to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not constitute a dissolution of the Cooperative.

SECTION 3.02. Special Meetings. Special meetings of the members may be called by resolution of the Board or upon a written request signed by any three trustees, by the President, or by not less than ten (10) percent 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 shall be held at Havre, Montana, with the location and the time of such meeting specified in the notice of the special meeting.

SECTION 3.03. Notice of Members' Meetings. Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted,

the purpose or purposes for which the meeting is called, shall be given to each member, either personally or by mail, not less than ten (10) days nor more than twenty-five (25) days before the date of the meeting. Such notice shall be given by or at the direction of the Secretary, or upon a default in the duty by the Secretary, by the persons calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at such member's address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meetings.

SECTION 3.04. Quorum. A quorum shall exist for transaction of business at any meeting of the members if five percent (5%) of all members or 50 members, whichever is fewer, are present in person. 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 3.05. Voting. All voting shall be in person, and 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 or these bylaws. No member shall attend or vote by proxy or by mail, or both, at any meeting of the members, provided that voting by a member who is not a natural person (such as a corporation, church, city, county or other legal entity) shall be allowed upon presentation to the Cooperative, either prior to or upon registration at each member meeting, of satisfactory evidence that the person presenting the same is the officer, director, trustee, or other official designee authorized to vote for such a member who is not a natural person.

SECTION 3.06. Voting List. At least fifteen (15) days before each meeting of the members, the Secretary shall make a complete list, arranged in alphabetical order, of the members entitled to vote at such meeting and their addresses. Such list shall be produced and kept open at the time and place of the meeting and shall be subject to inspection by any member during the whole time of the meeting.

SECTION 3.07. 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:

- (a) Report on the number of members present in person in order to determine the existence of a quorum;
- (b) Reading of the notice of the meeting and proof of the due giving thereof, or of the waiver or waivers of notice of the meeting, as the case may be;
- (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- (d) Presentation and consideration of reports of officers, trustees and committees;
- (e) Election of trustees;
- (f) Unfinished business;
- (g) New business; and
- (h) Adjournment.

Notwithstanding the foregoing, the Board or the members themselves may from time to time establish a different order of business for the purpose of assuring the

Adopted May 17, 2003

earlier consideration of an action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business; provided, that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

ARTICLE IV

TRUSTEES

SECTION 4.01. General Powers. The business and affairs of the Cooperative shall be managed by a board of five trustees. The Board 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 4.02. Trustee Districts. The Cooperative's five(5) trustees shall be so nominated and elected as to provide one(1) trustee, qualified under Section 4.05 of these bylaws, from each of the following trustee districts (**Districts** or **District**):

- District No. 1, known as the Cooperative's "Eastern Service Area" and generally comprised of the Havre North, Havre South, Chinook North and Chinook South areas;
- District No. 2, known as the Cooperative's "Rocky Boy's/Box Elder Service Area" and generally comprised of the Rocky Boy's and Box Elder areas;
- District No. 3, known as the Cooperative's "Northwestern Service Area" and generally comprised of the Kremlin to Chester and adjacent northwest areas;
- District No. 4, known as the Cooperative's "Southern Service Area" and generally comprised of the Big Sandy, Loma, southwest and southeast areas; and
- District No. 5, known as the Cooperative's "At-Large Service Area" and comprised of all of the Cooperative's service areas.

The creation or subsequent alteration of District boundaries, alone, shall not have the effect of either lengthening an existing trustee's term of office or, without the written consent of the affected trustee, shortening an existing trustee's term.

In order to implement this Section 4.02, the members shall elect:

- (a) one(1) trustee from District No. 1 at the annual member meeting held in 2004; and
- (b) one(1) trustee from District No. 2 and one(1) trustee from District No. 3 at the annual member meeting held in 2005; and
- (c) one(1) trustee from District No. 4 and one(1) trustee from District No. 5 at the annual member meeting held in 2006.

The Cooperative shall maintain on file at the Cooperative's principal office at Havre, Montana, a complete description and/or geographical representation of the Districts, a copy of which will be provided to any member upon request. The Board shall establish a reasonable method by which to identify the District boundaries based on geography, number of members, location and number of electric service connections served by the Cooperative's electric distribution substations and any other equitable considerations, or any reasonable combination of such

considerations, so as to divide the Cooperative's general service area into four(4) Districts designed to equitably represent the members, as nearly as practicable, and one(1) additional District comprised of the Cooperative's entire service area.

Commencing not later than January 1, 2009, and not less frequently than every six(6) years thereafter, the Board shall review the District boundaries, based on such foregoing considerations, to determine whether any District boundaries should be altered in order to equitably represent the members, as nearly as practicable. If the Board alters District boundaries as a result of any such review at any time, the Board shall inform all members, in writing, not less than fifteen(15) days prior to the first meeting of the committee on nominations appointed in that year pursuant to Section 4.06 of these bylaws. Upon so providing such information to the members, the District boundaries shall be deemed amended accordingly.

SECTION 4.03. Election. At each annual meeting of the members, the members shall elect trustees by secret written ballot from among those natural persons who are members or who are operating or chief officers of any members that are not natural persons (such as corporations, churches or other legal entities), or those officers' designees, and who are otherwise qualified as provided in Section 4.05 of these bylaws. When the total number of nominees does not exceed the total number of trustees to be elected, or when the number of nominees for a trustee District does not exceed the number of trustees to be elected from that District, and if there is no objection, the members may dispense with secret written balloting with respect to that particular election or with respect to the election for that particular District, as applicable, and may conduct voting in any other proper manner. Each member present at the meeting is entitled to vote for one trustee candidate from each District for which a trustee election is being held; no member may vote for more than one nominee from each trustee District. A District nominee who receives a plurality of the votes cast for trustee of that District shall be elected. Drawing by lot shall resolve, where necessary, any tie votes.

SECTION 4.04. Term. A trustee's term of office shall be three(3) years. The Cooperative shall stagger the trustees' terms of office in such a manner that the terms of no more than two trustees shall expire at the same time. At any annual member meeting, and except as otherwise provided by Section 4.07 of these bylaws, the members shall elect no more than two trustees. Upon election, and subject to the provisions of these bylaws regarding vacancies and the removal of trustees, a trustee shall serve until the annual meeting of the members of the year in which the trustee's term expires or until the members elect the trustee's successor. If for any reason the members do not hold an election of trustees at an annual member meeting called pursuant to these bylaws, the members may hold such election at an adjournment of such meeting or at a subsequently held special or the next annual meeting of the members. If the members fail to hold an election for a given year, the incumbent trustee or trustees, whose terms would have expired, shall hold over and continue to act only until the next member meeting at which a quorum is present, at which meeting the members shall elect a qualified person to fill the remainder of the applicable term of office.

SECTION 4.05. Qualifications. No person shall be eligible to become or remain a trustee of the Cooperative who:

- (a) is not a member and bona fide resident actually residing and receiving electric services from the Cooperative in the District for which such person is or may become a trustee; PROVIDED THAT notwithstanding the fact that a natural person may not receive electric services from the Cooperative at such person's primary residence, a natural person who is the operating or chief officer of any member that is not a natural person (such as a corporation, church or other legal entity), or such person's designee, shall be eligible to become or remain a trustee, if: (1) such person or such designee is a bona fide resident actually residing in the District for which such person is or may

become a trustee; and (2) such entity member actually receives electric services from the Cooperative in that same District; or

- (b) fails to receive, within six(6) years after being elected to serve as trustee [unless such person previously received such certification as an incumbent trustee], a Credentialed Cooperative Director designation, Director's Certificate or similar certification from the National Rural Electric Cooperative Association board member certification program or a comparable program for the education and training of governing board members approved by the Board, unless the remaining trustees resolve by vote of at least three of the four remaining trustees that good cause existed for such failure and such cause will not prevent such person from obtaining such certification within the next following twelve(12) months; or
- (c) is, after being duly elected to serve as a trustee, absent from or fails to attend three (3) of any twelve (12) consecutive regular Board meetings, unless the remaining trustees resolve by vote of at least three of the four remaining trustees that good cause existed for such absences and that such cause will not likely result in further absences from the next ensuing twelve (12) consecutive regular Board meetings; or
- (d) is, and if duly elected to serve as a trustee will continue to be, a close relative of an incumbent trustee or of an employee of the Cooperative; PROVIDED THAT, no incumbent trustee shall lose eligibility to remain a trustee or to be re-elected as a trustee if, during such trustee's incumbency, such trustee becomes a close relative of another incumbent trustee or of a Cooperative employee and the remaining trustees resolve at the next regular or special Board meeting, by vote of at least three of the four remaining trustees, that good cause exists for such trustee's continuing eligibility and that such trustee's continuing service on the Board will not materially adversely affect the Cooperative's operational or business interests.

In addition to the foregoing qualifications, no person shall be eligible to become or remain a trustee or hold any position of trust in the Cooperative who 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 appliances, fixtures or supplies to the members of the Cooperative.

Upon establishment of the fact that any person being considered for, nominated for or serving as a trustee lacks eligibility under this Section 4.05, the Board shall act to withhold such position from such person or cause such person to be removed therefrom, as applicable.

Nothing contained in this Section 4.05 shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board, unless such action is taken with respect to a matter affected by the provisions of this Section 4.05 and in which one or more trustees have a personal interest in conflict with the interests of the Cooperative.

SECTION 4.06. Nominations.

- (a) Nominations by committee. Not less than forty-five(45) days nor more than sixty (60) days before the date of the annual meeting of the members at which trustees are to be elected, the Board shall appoint a committee on nominations consisting of not less than five nor more than eleven Cooperative members in such a manner as to ensure, as nearly as practicable, equitable representation from each District from which a trustee is to be elected. No member of the Board may serve on such committee. The committee shall prepare and post at

the principal office of the Cooperative, at least thirty(30) days before the annual member meeting, a list of nominations for trustees to be elected, listing such nominees separately by the District from which a trustee must be elected. The committee may include in such list a greater number of nominees for some or all trustee positions, provided that the committee clearly indicates, by District, those nominees who will oppose each other.

- (b) Nominations by petition. Any fifteen or more Cooperative members, acting together, may make additional nominations by written petition containing the name(s) and address(es) of the nominee(s) and the District from which each is nominated, and the signatures, printed names and addresses of the petitioners. The petitioners must deliver the petition so that it is received at the Cooperative's principal office at Havre, Montana, not less than thirty(30) days prior to the annual member meeting. The Secretary shall post such nominations by petition at the same place where the list of nominations by committee is posted. The Secretary shall mail, with the notice of the annual member meeting or separately, but at least seven(7) days before the date of the annual member meeting, a statement of the number of trustees to be elected from each District, the names and addresses of the nominees and the District from which each is nominated, specifying separately those nominated by the committee on nominations and those nominated by petition, if any.
- (c) Nominations from the floor. At any meeting at which the members may or are required to elect trustees, and after announcing all nominations made by the committee on nominations and by petition as above provided, the chairperson of the meeting or the chairperson's designee shall invite additional nominations from the floor and shall determine and announce, after each such nomination from the floor, the District in which each such nominee from the floor is qualified and the names of the other nominees from that District whom the nominee from the floor will oppose in such election. Any member, present in person at such meeting, may nominate from the floor another qualified member for election as trustee. The member making such nomination from the floor shall designate the District from which the nominee is nominated. No member may nominate from the floor more than one person.
- (d) Neither the committee on nominations nor the members may nominate a person, even if otherwise qualified under Section 4.05 of these bylaws, to stand for election as trustee for more than one District at the same trustee election. No person may serve or be elected to serve as trustee for more than one District at the same time.

SECTION 4.07. Removal of Trustees by Members. Any member may bring one or more charge(s) for cause against any one or more trustee(s) and may request the removal of such trustee(s) by reason thereof by filing with the Secretary such charge(s) in writing, together with a petition signed by not less than ten percent (10%) of the then-total members of the Cooperative which petition calls for a special member meeting the stated purpose of which shall be to hear and act upon such charge(s) and, if one or more trustees are recalled, to elect their successor(s), and which specifies the place, time and date thereof not sooner than forty (40) days after filing of such petition, or which requests that the matter be acted upon at the subsequent annual member meeting if such meeting will be held no sooner than forty (40) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the trustee(s) against whom such charge(s) is (are) being made. The petition shall be signed by each member in the same name as the member is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such meeting, stating therein such charge(s) verbatim, the trustee(s) against whom the charge(s) have been made,

Adopted May 17, 2003

the member(s) filing the charge(s) and the purpose of the meeting, shall be delivered to the members, in person or by mail, in the manner set forth in Article III, Section 3.03, of these bylaws; provided that, the notice shall set forth (in alphabetical order) only twenty (20) of the names of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the same trustee(s). Such trustee(s) shall be informed in writing of the charges after they have been validly filed and at least twenty (20) days prior to the meeting of the members at which the charges are to be considered, and shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel, or any combination of such, and to present evidence in respect of the charge(s); and the member(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such trustee(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by vote of the members at such meeting without compliance with the foregoing provisions of these bylaws with respect to nominations, except that nominations shall be made from the floor in the manner provided in Section 4.06(c) of these bylaws; provided that the question of the removal of a trustee shall not be voted upon at all unless some evidence, other than the petition itself, in support of the charge(s) against the trustee shall have been presented during the meeting through oral statements, documents or otherwise. A newly elected successor trustee shall serve the unexpired portion of the removed trustee's term.

SECTION 4.08. Vacancies. Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of trustees by the members or by the Board, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining trustees, electing a person otherwise qualified under these bylaws and to serve for the unexpired portion of the term of the trustee whose position is being vacated.

SECTION 4.09. Compensation. Trustees shall not receive any salary for their services as Trustees, except that by resolution of the Board, a fixed sum and expenses of attendance, if any, may be allowed for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, conventions, seminars and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, Trustees may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. 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 in any other capacity than as an employee of the Cooperative, unless the payment and amount 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 as an emergency measure.

SECTION 4.10. Close Relative Defined. For purposes of these bylaws, the term "close relative" shall mean a person who is related to the principal person as a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece, by blood or in law. "In law" shall mean not only such persons as, for example, brothers-in-law, but shall also include "step" relatives and adoptive relatives.

ARTICLE V

MEETINGS OF TRUSTEES

SECTION 5.01. Regular Meetings. A regular meeting of the Board shall be held without notice immediately after and at the same place as the annual meeting of the members. A regular meeting of the Board shall also be held at such time and place within one of the counties served by the Cooperative as designated by the Board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof and, if such meeting is held by telephone conference call or other telecommunications equipment, on such additional oral notice as herein provided.

SECTION 5.02. Special Meetings. Special meetings of the Board may be called by the President or by any three (3) 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 trustees calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 5.03. Notice of Special Meetings. Except for special meetings held by telephone conference call or other telecommunications equipment as herein provided, 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 United States mail addressed to the Board member at that Board member's address as it appears on the records of the Cooperative, with postage thereon prepaid, given at least five (5) days before the date set for the meeting.

SECTION 5.04. Quorum. A majority of the Board 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 the 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.

SECTION 5.05. Meetings by Teleconferencing. Trustees may participate in any regular or special meeting of the Board, or of any duly constituted committee thereof, by means of a conference telephone or other telecommunications equipment, the use of which allows all persons participating in the meeting to simultaneously hear each other at all times during the meeting. A trustee's participation by such means shall constitute that trustee's presence in person at such meeting. Any such meeting of the Board, utilizing conference telephone or other telecommunications equipment, may be held upon forty-eight (48) hours oral notice to each trustee personally of the time and purpose of the meeting to be held by such means.

ARTICLE VI

OFFICERS

SECTION 6.01. Number. The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, and such other officers, as may be determined by the board of trustees from time to time. The offices of Secretary and of Treasurer may be held by the same person.

SECTION 6.02. Election and Term of Office. The officers shall be elected by secret ballot, annually, by and from the Board at the meeting of the Board held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon

thereafter as is practicable. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until such officer's successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board by appointment of one of the remaining trustees to serve for the unexpired portion of the term of office being vacated.

SECTION 6.03. Removal of Officers and Agents by Trustees. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing together with a Petition signed by ten percent of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten days prior to the Board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against the officer shall have the same opportunity. In the event the Board does not remove such officer, the question of the officer's removal shall be considered and voted upon at the next meeting of the members.

SECTION 6.04. President. The President:

- (a) shall be the principal executive officer of the Cooperative, and unless otherwise determined by the members of the Board, shall preside at all meetings of the members and the board of trustees;
- (b) may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board 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) shall, in general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

SECTION 6.05. Vice President. In the absence of the President, or in the event of the President's inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all of the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned by the Board.

SECTION 6.06. Secretary. The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the Board in 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 books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to the issue thereof, 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) having general charge of the books of the Cooperative;
- (f) keeping on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto and at the expense of the Cooperative, furnishing a copy of the bylaws and of all amendments thereto to any 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 by the Board.

SECTION 6.07. Treasurer. The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Cooperative;
- (b) the receipt of and the issuance of receipts for all moneys due and payable to the Cooperative 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 the provisions of these bylaws; and
- (c) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board.

SECTION 6.08. Delegation of Secretary's and Treasurer's Responsibilities.

Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer set forth above in these bylaws, the Board by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one or more agents, other officers or employees of the Cooperative who are not trustees. To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities and authorities.

SECTION 6.09. Manager. The Board 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 may from time to time vest in the manager.

SECTION 6.10. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the Board shall determine. The Board 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 6.11. Compensation; Indemnification. The compensation, if any, of any officer, agent or employee who is also a trustee or close relative of a trustee shall be determined as provided in Section 4.09 of these bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed or a plan therefore approved by the Board.

The Cooperative shall indemnify present and former trustees, officers (including the general manager or, if so entitled, the manager or executive vice president), agents and employees against liability to the extent that their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and, if actionable at all, were based upon good faith business judgments in the belief the acts or omissions were in the best interests of the Cooperative.

SECTION 6.12. 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 7.01. 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 members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

SECTION 7.02. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy, the Cooperative's operations will be so conducted that all members, through their patronage, will furnish capital for the Cooperative. The Cooperative will account, on a patronage basis, to all members for all amounts received or receivable by the Cooperative, both directly and indirectly, as operating income from furnishing such electric energy within each established classification of function and service, in excess of operating costs and expenses properly chargeable against the furnishing of such services within each such classification. The term "patronage capital" means all such amounts paid by members for such electric energy, and other operating income, in excess of such operating costs and expenses, and at the moment of receipt by the Cooperative, all such amounts are deemed to have been furnished by the members as patronage capital.

- (a) Retirement of Capital Credits. At any time prior to the Cooperative's liquidation or dissolution, in order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, and after allocating patronage capital to the members as provided in this Section 7.02, the Board, in its sole discretion, may retire and refund, in whole or in part, at the close of each fiscal year, that amount of patronage capital credited to the accounts of members and former members, which exceeds the amount necessary to:
- (1) defray expenses of the Cooperative and of the operation and maintenance of its facilities during such fiscal year;
 - (2) pay interest and principal obligations of the Cooperative coming due in such fiscal year;
 - (3) provide a reserve for the financing of the construction or acquisition by the Cooperative of additional facilities to the extent determined by the Board;
 - (4) provide a reasonable reserve for working capital;
 - (5) offset losses incurred in any prior fiscal year;
 - (6) provide a reserve for the payment of indebtedness of the Cooperative maturing more than one year after the date of the incurrence of such indebtedness in an amount not less than the total of the interest and principal payments on such indebtedness required to be made during the next following fiscal year;
 - (7) provide a fund, which must be not less than 2% or more than 5% of the balance remaining, for education in cooperation and for the dissemination of information concerning the effective

use of electric energy and other services made available by the Cooperative; and

- (8) make any other expenditure authorized by law.

The Board may determine the manner and method of retiring and refunding patronage capital, provided that:

- (9) any such retirement of patronage capital is made in accordance with the capital credits policy of the Cooperative and in such amounts and upon such terms as the Board determines;
 - (10) the Board must have adopted such policy prior to any such retirement of patronage capital; and
 - (11) the Board may adopt rules providing for the separate retirement of the power supply or other service or supply portion of capital credited to the account of the Cooperative by an organization furnishing electric service or any other service or supply to the Cooperative ("affiliated capital credits"). Such rules shall (i) establish a method for determining the portions of affiliated capital credits credited to each member for each applicable fiscal year, (ii) provide for separate identification on the Cooperative's books of such portions of affiliated capital credits credited to the Cooperative's members, (iii) provide for appropriate notification to members with respect to such portions of affiliated capital credits credited to their accounts; and (iv) for any fiscal year, preclude a general retirement of such portions of affiliated capital credits credited to members prior to the general retirement of other patronage capital credited to members for the same year or of any patronage capital credited to members for any prior fiscal year.
- (b) Use of Non-operating Income. All amounts received by the Cooperative as non-operating income, including but not limited to interest income, dividends, capital gains and other miscellaneous income, in excess of costs and expenses, may, in the sole discretion of the Board and to the extent permitted by law:
- (1) be reserved as unallocated, retained earnings and will not be allocated to the Cooperative's members on a patronage basis as part of the patronage capital credited to members as provided in this section 7.02; and
 - (2) be used for such business purposes as the Board determines to be in the best interests of the Cooperative and its members.
- (c) Retirement of Capital Credits on Dissolution. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative has been paid, outstanding capital credits will be retired without priority on a *pro rata* basis before any payments are made on account of property rights of members; provided that to the extent gains may then be realized from the sale of any appreciated asset, such gains will be distributed to all persons who were members during the period the asset was owned by the Cooperative in proportion to the amount of business done by such members during that period, to the extent practicable, as determined by the Board, before any payments are made on account of other property rights of members.
- (d) Assignment of Capital Credits. Patronage capital credited to the account of each member is 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 to all or a part of such member's premises served by the Cooperative unless the Board, acting under policies of general application, determines otherwise.

- (e) Retirement of Capital Credits on Death of Member. Notwithstanding any other provision of these bylaws, upon the death of any member who is a natural person, and upon written application by the deceased member's legal representative, the Board in its discretion and in conformance with its established capital credits policy, may retire capital credited to such member on such terms and conditions as set forth in such policy, provided that the financial condition of the Cooperative is not impaired by such retirement.
- (f) Set-off of Amounts Owning by Members. Whenever capital credited to a member's account is to be retired, in whole or in part, the Cooperative is authorized to set-off against the amount of capital due to the member any obligation or amount due and owing to the Cooperative by such member, together with interest at the rate from time to time established by the Board and in effect when any such amounts became due and owing.

SECTION 7.03. 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.

ARTICLE VIII

DISPOSITION AND PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

SECTION 8.01. Disposition and Pledging of Property.

- (a) The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a duly held meeting of members by the affirmative vote of not less than two-thirds of all the members of the Cooperative, and unless the notice of such meeting also contains a notice of the proposed sale, mortgage, lease or other disposition or encumbrance; provided, however, that the Board, without authorization by the members of the Cooperative, has 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 encumbrancing 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 determines, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof, or to any other financing sources within the United States.
- (b) Before a meeting of the members is held to vote on authorization of the sale, lease, lease-sale, or other disposition of Cooperative property, the Board shall:
 - (1) Designate three independent appraisers not associated with the Cooperative or a proposed buyer of Cooperative property. Each

appraiser shall prepare an independent appraisal of the value of the Cooperative property that is the subject of such proposed disposition.

- (2) Notify all Cooperative members, in writing and in the manner provided in these bylaws, at least 90 days in advance of the meeting to vote on such proposed disposition of Cooperative property. The vote on the disposition of Cooperative property may take place at an annual meeting if the Board notifies all Cooperative members as herein provided at least 90 days in advance of such annual meeting. Detailed proposals for such disposition must accompany the notice of any meeting to vote on such proposed disposition of Cooperative property.
- (3) At least 30 days before the meeting of the members, notify all other rural electric and telephone cooperatives authorized to do business and operating in Montana (excluding those cooperatives that have made such an offer to purchase, lease, lease-purchase or otherwise acquire Cooperative property) that the property is available for disposition. Such notice shall include one copy of the report of each of the three appraisers.
- (4) At least 30 days before the meeting of the members, deliver by first class United States mail to all members any alternative proposal made by Cooperative members, provided that such alternative proposal has been submitted in writing to the Board and signed by 50 or more Cooperative members.

The foregoing provisions shall not apply to a sale, lease, lease-sale, exchange or other disposition to one or more other electric membership corporations if the substantive effect thereof is to merge or consolidate with such other one or more electric membership corporations.

SECTION 8.02. Distribution of Surplus Assets on Dissolution. Upon the Cooperative's dissolution, any assets remaining after all liabilities or obligations of the Cooperative have been satisfied and discharged, to the extent practicable as determined by the Board, and not inconsistent with the provisions of Section 7.02 (c) of these bylaws, shall be distributed without priority but on a patronage basis among all persons who are or have been members of the Cooperative during the seven years next preceding the date of the filing of the certificate of election to dissolve; provided, however, that, if in the judgment of the Board the amount of such surplus is too small to justify the expense of making such distribution, and in lieu of such distribution, the Board may donate, or provide for the donation of, such surplus to one or more non-profit charitable or educational organizations that are exempt from federal income tax.

ARTICLE IX

SEAL

SECTION 9.01. 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 10.01. Contracts. Except as otherwise provided in these bylaws, the Board may authorize any office 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 10.02. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed and/or countersigned by such officer or officers, agent or agents, employee or employees of the cooperative and in such manner as shall from time to time be determined by resolution of the Board.

SECTION 10.03. Deposits. 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 may select.

SECTION 10.04. Change in Rates. Written notice shall be given to the Administrator of the Rural Utilities Service (herein "RUS") of the United States of America not less than ninety (90) days prior the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

SECTION 10.05. Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Membership or Investment in Other Organizations. The Cooperative shall not become a member of or purchase or acquire stock or other ownership interests in any corporation or other entity or organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or such proposed purchase or acquisition of stock or other ownership interest; provided, however, that the Cooperative may, upon authorization of the Board, become a member of, purchase stock or other ownership interests in or otherwise invest in:

- (a) any corporation or any other entity or organization which is organized to provide direct or auxiliary services to the Cooperative or its members or for the purpose of engaging in or furthering the general purpose of rural electrification or rural telecommunications and information services that are of benefit to the Cooperative or its members; or,
- (b) with the approval of the Administrator of RUS, if required, any other corporation, entity or organization, for the purpose of acquiring electric facilities.

SECTION 11.02. 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 on the ground that the meeting has not been lawfully called or convened.

SECTION 11.03. Policies, Rules, and Regulations. The Board 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 of the business and affairs of the Cooperative.

SECTION 11.04. Accounting System and Reports. The Board shall cause to be established and maintained a complete accounting system which, among other

things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of RUS. The Board shall also after the close of each fiscal year cause to be made a full and complete audit by a certified public accountant, of the accounts, books and financial conditions of the Cooperative as of the end of such fiscal year. A report of such audit, shall be submitted to the members at the next following annual meeting.

SECTION 11.05. 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

SECTION 12.01. 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.

(With amendments as adopted at Annual Meeting on May 17, 2003)