

RAVALLI COUNTY ELECTRIC COOPERATIVE, INC.
BYLAWS

ARTICLE I
MEMBERSHIP

SECTION 1. REQUIREMENTS FOR MEMBERSHIP

Any natural person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision or agency thereof, or any body politic may become a member in the Ravalli County Electric Cooperative, Inc., (hereinafter called the "Cooperative") through the following procedures:

- (1) Submitting an application for membership therein;
- (2) Agreeing to purchase electric energy from the Cooperative as hereinafter provided;
- (3) Agreeing to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative (and any amendments thereto), and the rules, regulations, and policies adopted by the Board of Trustees;
- (4) Paying a non-refundable application processing fee in an amount to be determined by the Board of Trustees; and
- (5) Being accepted for membership by the Board of Trustees or members.

No member may hold more than one (1) membership in the Cooperative, and no membership in the Cooperative shall be transferable except as allowed under the Bylaws.

All applications for membership shall be accepted unless the Board of Trustees determines that the applicant is unwilling or unable to meet membership requirements and related terms and conditions for services or that the application should be rejected for other good cause. Membership shall be recorded in the records of the Cooperative. Any applicant for membership who is not accepted shall be notified of the rejection and the reasons therefor, within sixty (60) days after the date of application; and, if the notice of rejection is not mailed within sixty days, the applicant shall be considered accepted for membership.

At the request of any applicant who has applied for membership in the Cooperative more than 90 days prior to any meeting of members, who has complied with the requirements of provisions (1), (2), (3), and (4) of this Section, and who has been denied membership by the Board of Trustees, the matter of application approval shall be submitted to a majority vote of the members at said member meeting. The Cooperative shall give such applicant at least ten (10) days' notice of the date of the member's meeting to which his/her/its application will be submitted and such applicant and representatives of the Board of Trustees shall be entitled to be present and heard at the meeting regarding the issues involved. Even if approved by majority vote of the members, membership of the applicant shall be conditioned upon the applicant thereafter agreeing to abide by and abiding by the Cooperative's Articles of Incorporation and Bylaws, together with the rules, regulations and policies adopted by the Board of Trustees inasmuch as the same are applicable to the remainder of the members.

SECTION 2. JOINT MEMBERSHIP

A. Requirements upon Initial Application. Two or more natural persons 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.

B. Conversion of Sole Membership to Joint Membership. A membership may be converted to a joint membership upon the written request of the holders thereof and their agreement to comply with the Articles of Incorporation, Bylaws, and rules, regulations, and policies adopted by the Board of Trustees.

C. Effect of Joint Membership. The term "member" as used in these Bylaws shall be deemed to include two or more natural persons holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply jointly and severally 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:

- (1) The presence at a meeting of any person from the joint membership shall be regarded as the presence of one (1) member.
- (2) The vote of any person from a joint membership shall constitute one (1) joint membership vote. Only one vote is allowed for a joint membership, and all joint members must agree in order for their vote to be considered.
- (3) A waiver of notice signed by any person from a joint membership shall constitute a waiver for the joint membership.
- (4) Notice to any person from a joint membership shall constitute notice to all.
- (5) Expulsion of any person from a joint membership shall terminate the joint membership.
- (6) Withdrawal of any person from a joint membership shall terminate the joint membership.
- (7) One person (but not more than one person) from a joint membership may be elected or appointed as an Officer or Trustee, provided that the joint member seeking office meets the qualifications for membership. In the event more than one person from a joint membership is elected, only the joint member having the highest number of votes may serve. Until resignation by one of the persons from a joint membership, the remaining persons from the joint membership shall not be considered eligible for appointment to any position as officer or trustee.

SECTION 3. TRANSFER AND TERMINATION OF MEMBERSHIP

A. General Provisions. Membership in the Cooperative shall not be transferable, except as otherwise provided in these Bylaws. Upon the death, cessation of existence, expulsion, or withdrawal of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his estate from any debts due to the Cooperative. Unless otherwise required by these Bylaws, termination, withdrawal or conversion of membership or death or cessation of a member shall not result in a member being entitled to payments of Capital Credits.

B. Conversion From/Termination of Joint Membership. Upon the death of a natural person who is a party to a joint membership, such membership shall be held solely by the surviving joint members, without such surviving joint members being required to pay any additional application fee. However, a deceased joint member's estate shall not thereby be released from any debts due to the Cooperative up to the date of a deceased member's death. In the event of the death of a party to a joint membership, the deceased party's prorata share of the Capital Credits accumulated to the date of death from such joint membership shall be payable to the extent and in the manner required under Article VI, Section 3 of these Bylaws, with the remaining share of Capital credited (but not paid out, except to the extent otherwise allowed under Article VI, Section 3) to the account of the surviving joint membership.

At the request of any party to a joint membership the joint membership may be terminated, and at such time (or upon cessation of the joint membership as otherwise provided in Article I, Section 3), a prorata share of the Capital credited to the joint membership shall thereafter be credited (but not paid out except to the extent allowed under Article VI, Section 3) to each of the prior joint members, unless otherwise required by any Decree of Dissolution, Decree of Legal Separation or Declaration of Invalidity or other Court order, a certified copy of which is served upon the Cooperative by the member requesting its enforcement. Each party to a joint membership shall be jointly and severally liable for all outstanding obligations relating to the joint membership. At the time that any joint membership is so terminated, any of the joint members desiring to continue their membership with the Cooperative shall be required to reapply for such status.

C. Withdrawal of Membership. Any member may withdraw from membership upon notice to the Cooperative; however, in such event, a withdrawing member shall still be obligated for payment in full of all debts and liabilities he/she owes to the Cooperative.

D. Expulsion of Members. The Board of Trustees of the Cooperative may, by affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have refused or failed to comply with any of the provisions of the Articles of Incorporation or Bylaws of the Cooperative, or by the rules, regulations and/or policies adopted by the Board of Trustees, but only if such member shall have been given written notice by the Cooperative that such failure makes him/her 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 majority vote of the Board of Trustees or by majority vote of the members at any annual or special meeting of the members (in either event the affected member shall be given at least ten [10] days' notice of such meeting), provided that the expelled member thereafter agrees to abide by and does abide by the Cooperative Articles of Incorporation and Bylaws, together with the rules, regulations and policies adopted by the Board of Trustees inasmuch as the same are applicable to the remainder of the members.

SECTION 4. PURCHASE OF ELECTRIC ENERGY

A. Purchase and Related Requirements. Each member shall, as soon as electric energy is available, and to the extent that it is available from the Cooperative, purchase from the Cooperative all electric energy used on the premises specified in his/her/its application for membership. With the exception of seasonal accounts, failure to purchase electric energy from the Cooperative beyond a reasonable time as determined by the Trustees when the Cooperative is able to furnish the energy, may result in the Board of Trustees' termination of a membership.

All Cooperative lines, line extensions and other Cooperative facilities and equipment installed on property owned, leased or otherwise in control of a member shall be solely the property of the Cooperative, but facilities from the meter to the location of the facilities served are the responsibility of the member.

Members agree to execute and deliver to the Cooperative (or arrange to have executed and delivered by the owners of the property served) at the Cooperative's request and to the extent allowed by law, a perpetual grant of easement and/or rights of way on, over or under such lands owned, leased or otherwise in control of the member, in accordance with the reasonable terms and conditions as the Cooperative shall reasonably require for the furnishing of electric service to the member or to other members, for the construction, operation or maintenance of the Cooperative's facilities.

As part of the consideration for service provided by the Cooperative, each member shall desist from interfering with, impairing the operation of, or causing damage to such facilities and use reasonable care to prevent others under their authority from doing so; and shall be responsible for and indemnify the Cooperative from any resulting claims, injuries or damages resulting from a violation of this provision.

The Board of Trustees may limit the amount of electric energy which the Cooperative shall be required to furnish any one (1) member.

The Cooperative shall use its best efforts to furnish adequate and dependable electric service, although it cannot, and therefore does not guarantee a continuous and uninterrupted supply of electricity.

B. Meter Readings. If a member supplies inaccurate meter readings to the Cooperative in amounts which appear to the Cooperative to be substantial and recurrent, or if inaccurate meter readings are the result of the meter having been tampered with, the Cooperative may elect to take action up to and including the termination of service and/or legal action. The action which will be taken will be established from time to time by the Board of Trustees.

C. Payment Obligations. Members shall make any deposits which may be required under policies established from time to time by the Board of Trustees. Members shall also pay for energy at rates which shall from time to time be fixed by the Board of Trustees; each member shall pay to the Cooperative such minimum amount per month regardless of the amount of electric energy consumed, which shall be fixed by the Board of Trustees from time to time.

Each member shall pay all amounts owed by him/her/it to the Cooperative as and when the same shall become due and payable under the rules, regulations and policies of the Cooperative. The Cooperative reserves the right to discontinue service to any member who has not paid the amount owed.

D. Excess Capital Credited. It is expressly understood that amounts paid for electric energy in excess of the cost of service, are furnished to members as Capital, and each member shall be credited with the Capital as further provided by Article VI of these Bylaws.

SECTION 5. PROPERTY RIGHTS AND LIABILITIES OF MEMBERS

A. Property Interest of Members. Members and former members holding patronage Capital shall have no individual or separate interest in the property or assets of the Cooperative except upon dissolution, after: (1) all debts and liabilities of the Cooperative have been paid, and (2) all Capital furnished through patronage has been retired as provided by these Bylaws, the remaining property and assets of the Cooperative shall be

distributed among its members and former members in proportion to the aggregate patronage of each such member during the seven (7) years immediately preceding the date of filing of the Certificate of Dissolution for the Cooperative, or as then otherwise required by applicable law.

B. 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 individually liable for any debts or liabilities of the Cooperative.

ARTICLE II

MEETINGS OF MEMBERS

SECTION 1. ANNUAL MEETING

The annual meeting of the members of the Cooperative shall be held in Ravalli County, Montana, at such place selected by the Board of Trustees; said annual meeting shall be held at least once each calendar year and in no event later than sixteen (16) months from the prior annual meeting of members. The date and place shall be designated in the Notice of the meeting, and the meeting shall be for the purpose of electing Trustees, passing upon reports of the previous fiscal year, and transacting such other business as may come before the meeting. Failure to hold the annual meeting at the designated time 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 a written request signed by three (3) Trustees, by the President, or upon a written request signed by at least ten percent (10%) of the members. It shall be the duty of the Secretary to thereupon cause Notice of such meeting to be given as hereinafter provided. A special meeting of the members may be held at any place within the County of Ravalli, State of Montana, specified in the Notice of the special meeting.

SECTION 3. NOTICE OF MEMBERS' MEETINGS

Written or printed Notice stating the place, day and hour of the meeting, and in the case of a special meeting or an annual meeting at which business other than that listed in Sections 1 and 8 of this Article is to be transacted, the purpose or purposes for which the meeting is being called, shall be delivered not less than ten (10) nor more than twenty-five (25) days before the date of the meeting. Such Notice shall be delivered personally or sent by mail to each member, by or at the direction of the Secretary, or upon a default in the duty by the Secretary, by the persons calling the meeting. The Notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his/her/its 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 such meeting. A member may obtain a copy of the unapproved minutes from the previous meeting of the members within 45 days prior to the upcoming meeting upon request; copies of the unapproved minutes from the previous meeting of the members will also be available at the next meeting of members for those attending.

SECTION 4. QUORUM

Five percent (5%) of all members present in person, or fifty (50) members present in person, whichever is fewer, shall constitute a quorum for the transaction of business at all meetings of the members. If less than a quorum is present at any meeting, the majority of those present in person may adjourn the meeting from time to time without further notice.

SECTION 5. VOTING

Each member or joint membership shall be entitled to only one vote. All questions shall be decided by a vote of the majority of the members voting thereon in person, except as otherwise provided by law, the Articles of Incorporation, or these Bylaws. No voting by mail or by proxy shall be permitted.

Corporations, schools, businesses, governmental bodies and similar entities shall be allowed to designate to the Cooperative, five working days prior to registration at each such meeting, satisfactory evidence entitling the person representing the same, to vote. That designated person is entitled to one vote only and may not carry other proxy votes.

SECTION 6. VOTING DISTRICTS

The territories served or to be served by the Cooperative shall be divided into seven (7) geographical districts. Each district shall be represented by one Trustee. The seven districts shall be as follows:

District 1: Area North of an imaginary straight line drawn East and West across the County through the center of Ambrose Road to the Ravalli County line.

District 2: Area North of an imaginary straight line drawn East and West across the County through the center of Bell Crossing Road to the boundary of District 1.

District 3: Area North of an imaginary straight line drawn East and West across the County through the center of Tucker Crossing Road to the boundary of District 2.

District 4: Area North of an imaginary straight line drawn East and West across the County through the center of Willow Creek Road to the boundary of District 3.

District 5: Area North of an imaginary straight line drawn East and West across the County through the center of Tammany Lane to the boundary of District 4.

District 6: Area North of an imaginary straight line drawn East and West across the County through the center of Bunkhouse Lane North of the Town of Darby to the boundary of District 5.

District 7: Area South of an imaginary straight line drawn East and West across the County through the center of Bunkhouse Lane North of the Town of Darby to the County line.

SECTION 7. NOMINATION AND ELECTION OF TRUSTEES

Nominations for candidates for Trustees shall be made from the floor at the annual meeting of members and any member present shall have the right to nominate one candidate. The meeting shall remain open for nominations for each applicable district until no further nominations are forthcoming.

Candidates must be members residing in the District for which nominations are being considered. Each candidate nominated may have up to five minutes at the meeting to make a presentation to the members in support of their election as Trustee. Each candidate must possess (and affirmatively so state prior to election at the membership meeting) the requirements set forth in Article III, Section 3 (1) through (4) of these Bylaws. Persons who are newly nominated to serve as a Trustee at the time of nomination must affirmatively agree to meet the requirements of Article III, Section 3 (5) and (6) of these Bylaws, and those previously serving at least one full term following the adoption of these Bylaws must have completed the requirements of Article III, Section 3 (5) and (6).

The Board of Trustees may appoint any qualified individual to serve as a presiding Chairman at any meeting of the members. In the event that such an appointment is not made, the President, or in his absence, the Vice-President, will act as presiding Officer. Roberts Rules of Order shall apply to any procedural questions, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or Bylaws.

Voting shall be by ballot; however, in the event an election for Trustee is uncontested, voting may be by hand or voice, at the discretion of the chair. 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 the meeting will be considered elected as Trustee. Such persons so elected shall take office immediately and shall hold such office for three (3) years or until their successors are duly elected and qualified.

At the time of the enactment of this Bylaw provision, the members hereby ratify all past nominations and elections for members to the Board of Trustees as it has heretofore been constituted, and furthermore ratify all past action taken at membership meetings, even if the procedures and requirements then in effect were not met.

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 number of members present, in order to determine the existence of a quorum.
- (2) Reading of the Notice of the meeting is deemed waived unless requested to be read; a confirmation statement that the required publications or mailings thereof, or the waiver(s) of Notice of the meeting, as the case may be, have been met.
- (3) Reading of the unapproved Minutes of the meeting of the members is deemed waived unless requested to be read by a majority vote of the members attending the meeting. The members shall, as the next order of business, take necessary action on the Minutes.
- (4) Presentation and consideration of reports of Officers, Trustees and Committees.
- (5) Election of Trustees.
- (6) Unfinished Business.
- (7) New Business.
- (8) Adjournment.

ARTICLE III TRUSTEES

SECTION 1. GENERAL POWERS AND LIMITATIONS

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, or by the Cooperative Articles of Incorporation or by these Bylaws, reserved to the members.

Before creating or entering into an agreement that results in any direct or indirect obligation for the repayment of long-term bonded indebtedness for financing directly or indirectly the construction, maintenance, or operating of:

- (1) Nuclear power generating facilities;
- (2) Wind powered facilities; or
- (3) Solar powered facilities

that may result in a rate increase to the Cooperative's members for repayment of the obligation, the Board of Trustees must first receive approval from a majority of those members present and voting at a membership meeting held specifically for that purpose.

SECTION 2. TENURE

Trustees shall be elected by the members as provided in Article II of these Bylaws. Trustees (including those currently holding office) shall serve until their successors have been duly elected or qualified. The Trustees shall be divided into three groups, namely:

- Group One: Trustees from voting districts one and five.
- Group Two: Trustees from voting districts two, four, and six.
- Group Three: Trustees from voting districts three and seven.

Group One Trustees shall be elected at the annual membership meeting in 1998, and every three years thereafter; Group Two Trustees shall be elected at the annual membership meeting in 1999 and every three years thereafter; and Group Three Trustees shall be elected in 1997 and every three years thereafter.

If the election of Trustees has not been held on the day designated herein for the annual meeting, or 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 scheduled.

SECTION 3. QUALIFICATIONS

To be and remain eligible to hold a position as trustee, a person:

- (1) Must be a member in good standing of the Cooperative;
- (2) Must be a bona fide resident of the particular district which he/she is to represent and an actual user of Cooperative electric service in said district;

- (3) Must not be employed by or financially interested in a competing enterprise or a business which is selling electric energy or supplies to the Cooperative, or directly or indirectly involved or engaged in selling electric energy anywhere, or directly or indirectly primarily engaged or involved in selling electrical appliances, fixtures or supplies in Ravalli County;
- (4) Must not have a material conflict of interest or a continuing conflict of interest with the Cooperative or any enterprise of the Cooperative;
- (5) Must disclose any felony convictions;
- (6) Must attend at least nine of the regularly scheduled meetings of the Board of Trustees during each calendar year following election;
- (7) Must complete the National Rural Electric Cooperative Association's certification program for Board members within three years from the date of election to the Board, or another comparable program for education of Trustees approved by the Board of Trustees; and
- (8) Who is retired or an inactive employee must wait three years from last employment before deemed eligible to run for a Board position.

A corporation, partnership, or other business or governmental agency which is a member of the Cooperative may designate one officer or employee who will be eligible to be nominated for a position on the Board of Trustees and serve on that body should that individual be elected. Such designee shall not become or remain a Trustee of any district unless the designating entity has a business operation and uses Cooperative electricity in that district, and if elected will not allow more than one member from a joint membership, a seat on the board.

Where an occasional or transitory potential conflict arises, a Board member should announce the conflict and not vote on the matter involved.

Upon the 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, and the Board is by these Bylaws authorized to do so.

Nothing contained in this Section shall in any manner whatsoever affect the validity of any action taken at any meeting of the Board of Trustees.

SECTION 4. REMOVAL OF TRUSTEES BY MEMBERS

Any member may file a petition signed by [with names and addresses also printed] ten percent (10%) of all of the members, requesting the removal of one or more Trustee(s). The reasons for the removal of the Trustee(s) shall be stated in the petition. Such petition shall be filed in the records of the Cooperative and thereupon, the Secretary of the Board of Trustees shall, within ten (10) days of the date that the petition is submitted to the Cooperative, cause a review of the names of the persons signing the petition to be compared with a list of the then current members of the Cooperative to verify that the required percentage of members have, in fact, signed the petition.

The Trustee(s) against whom the petition for removal has/have been filed shall be promptly informed in writing of the petition and the reasons stated in the petition for his/her/their removal, and such notice shall be provided to the Trustee(s) at least ten (10) days prior to the meeting at which the petition for removal is to be considered.

The question of removal of such Trustee(s) shall be considered and voted upon at the next regular or special meeting of the members (provided the required petition signatures have been verified and the notices aforescribed have been given to the effected Trustee[s]). At such meeting the Trustee(s) whose removal is sought shall have an opportunity to be heard in person or by counsel, and to present information and arguments why he/she/they should be allowed to retain the position, and the person(s) requesting the removal shall have the same opportunity to give reasons and present information and arguments to the contrary.

Any vacancy created by a removal of a Trustee by the members at a membership meeting may be filled by a vote of the members at such meeting, and a Trustee so selected shall serve the remaining term of the Trustee being replaced. The procedure for electing a Trustee in such event shall, to the extent not inconsistent with this Section, meet the requirements of Article II, Section 7, and Article III, Section 3 of these Bylaws.

SECTION 5. REMOVAL OF A TRUSTEE BY TRUSTEES

The Board of Trustees shall remove any member of the Board who does not meet the qualifications required of Board members as more specifically set forth in Article III, Section 3.

Furthermore, in the event the Board of Trustees determines by resolution at a special meeting noticed for such purpose, that a Trustee is acting in a manner contrary to the best interest of the Cooperative on a regular basis, then the Board shall call a special meeting of the members for a review of the Board of Trustees recommendations with regard to the removal of such Trustee. The Board member accused of not acting in the best interests of the Cooperative in such event shall be given at least ten (10) days' written notice prior to any member meeting called for the "review" purposes aforescribed. Both the "accused" Board member and the remaining Board members may present information and arguments at the special meeting of members regarding the conduct or defense of the accused Board member. The members at such member meeting shall then vote as to whether such Board of Trustee member should be removed, and if said member is removed, then the members present shall thereupon vote for a new member of the Board of Trustees to fill the unexpired term of the Board member removed. The manner of election of the new Board member, to the extent not inconsistent with this provision, shall be as set forth in Article II, Section 7 of these Bylaws, and any newly elected Trustee shall meet the qualifications set forth in Article III, Section 3 of these Bylaws.

SECTION 6. VACANCIES

Except as provided in Sections 4 and 5 of Article III, any vacancy occurring in the Board of Trustees shall be filled by the affirmative vote of a majority of the remaining Trustees. Such appointee shall meet all of the qualifications required of a Trustee under Article III, Section 3 of these Bylaws, and shall hold office for the unexpired portion of the term of the Trustee in respect of whom the vacancy occurs.

SECTION 7. COMPENSATION/INSURANCE COVERAGE/REIMBURSEMENT

Trustees, as such, shall not receive any salary for their services, but by resolution of the Board of Trustees, the Trustees may receive:

- (1) Health insurance coverage to the extent provided to Cooperative employees (but the Cooperative shall not pay for coverage for or on behalf of a Trustee after he/she ceases to act as such, although a retired Trustee shall be allowed to purchase continued coverage through the Cooperative health insurance plan at his/her own expense); and
- (2) A fixed sum, together with expenses of attendance (verified by receipts and an accounting approved by the Board of Trustees) is allowed for: attendance at each meeting of the Board of Trustees or any committee of the Board of Trustees, or representing the Cooperative at any meeting or on any business when representation has been approved by the Board.

The Cooperative shall also provide liability, errors and omissions, and related insurance coverage to officers, Trustees, employees and agents of the Cooperative in their capacity as such and in the performance of their duties. To the fullest extent allowed by law, the Cooperative shall also indemnify (including without limitation, the power to advance expenses to) any officer, Trustee, employee, or agent of the Cooperative for any losses incurred as a result of claims, liabilities, expenses and legal fees paid or necessarily incurred in connection with any court action or proceeding or in defense of any claim brought against any officer, Trustee, employee or agent charging negligence in the performance of duties, or errors or omissions in the performance of such duties. The Cooperative shall not provide indemnification in cases in which liability cannot be eliminated or limited as described in Section 35-1-216 (2) (d) MCA as it may be amended from time to time or as otherwise required by law. Any requirement for indemnification of an officer, Trustee, employee or agent under this provision shall extend only to the extent such expenses and fees have not otherwise been paid by available insurance.

No Trustee shall receive compensation for serving the Cooperative in any other capacity except as hereinabove set forth, nor shall any parent, child, spouse or sibling of a Trustee receive compensation for serving the Cooperative, unless the payment of compensation shall have been specifically approved by the Board of Trustees due to an emergency situation.

ARTICLE IV **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 membership, for the purpose of electing officers and to transact such other business as may lawfully come before the Trustees. Officers shall be elected as provided in Article V, Section 2, of these Bylaws. A regular meeting of the Board of Trustees shall also be held monthly at such time and place in Ravalli County, Montana, as the Board of Trustees may provide by resolution. Such regular monthly meeting 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 Trustees calling the meeting shall fix the time and place for the holding of such meeting, which shall be in Ravalli County, Montana.

SECTION 3. NOTICE OF TRUSTEES' MEETINGS

Written notice of the time, place and purpose of any special meeting of the Board of Trustees shall be delivered to each Trustee not less than five (5) days prior to the time and place set for 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 President or the Trustees calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the Trustee at his/her address as it appears in the records of the Cooperative, with postage thereon prepaid.

SECTION 4. QUORUM

A majority of the Board of Trustees shall constitute a quorum. However, if less than the majority of the Trustees is present at such meeting, a majority of the Trustees present may adjourn the meeting from time to time, provided that the Secretary shall notify or cause to be notified, any absent Trustee of the future time and place of such adjourned meeting.

SECTION 5. VOTING/TELECONFERENCING

The act of the majority of Trustees attending a meeting at which a quorum is present, shall be the act of the Board of Trustees. Members of the Board of Trustees may be deemed present at any meeting if they appear by telephone or other means of telecommunication, provided all participants can hear all other participants at such meeting.

SECTION 6. PROCEDURE

Except to the extent otherwise required by law, the Cooperative's Articles of Incorporation, or these Bylaws, Roberts Rules of Order shall govern the procedure at any meeting of the Board of Trustees or any committee thereof.

SECTION 7. OPEN MEETING/EXECUTIVE SESSION

All regular and special meetings of the Board of Trustees shall be open to attendance by members. Meetings shall also be open to other persons whose presence is deemed necessary by the Board of Trustees. Those in attendance, at some scheduled stage of the meeting designated by the Board of Trustees, shall be provided an opportunity to address the meeting. The Board of Trustees may proceed in an executive session (closed to attendance by any persons other than those specifically designated by the Board of Trustees) at such time and place as the Board of Trustees shall determine necessary during any Board meeting.

An executive session may be convened for the following purposes:

- (1) To discuss the purchase of property;
- (2) To discuss proprietary business matters and trade secrets;
- (3) For the discussion of litigation or possible litigation;
- (4) To discuss personnel matters when the Board determines the right to individual privacy exceeds the right of the general membership to information; or
- (5) For the discussion of business deemed to be of a personal or private nature pertaining to members, accounts or conduct when the Board determines the right of individual privacy exceeds the general membership's right to information.

No executive session may be held for the purpose of taking any final action or making any final decision.

SECTION 8. MINUTES

The Board shall provide for the taking of written minutes of all of its meetings, and the minutes of such meeting (except for those arising in executive session) shall be available to the members for inspection during normal office hours of the Cooperative. Unapproved minutes of a

regular or special Board of Trustees meeting (except for those supplied to Board Members for review prior to approval) or unapproved minutes of the annual meeting (except as otherwise authorized in the Bylaws), may be reviewed at the Cooperative but no copies of such shall be removed from the Cooperative premises.

ARTICLE V **OFFICERS AND MANAGER**

SECTION 1. OFFICES

The officers of the Cooperative shall be President, Vice-President, Secretary and Treasurer. The offices of Secretary and Treasurer may be held by the same person. In addition, the Board of Trustees may also elect or appoint such other officers, agents or employees as it shall deem necessary or advisable and shall prescribe the powers and duties thereof. The officers shall perform such duties which are incident to the office to which each was elected, and such other duties as may be prescribed by the Board of Trustees from time to time.

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 the officers shall not be held at such meeting, such election shall be held as soon thereafter as may be conveniently scheduled. 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/her successor shall have been elected and qualified. A vacancy in any office shall be filled by the Board of Trustees for the unexpired portion of the term. No person shall continue to hold any of the offices of the Cooperative after he/she shall have ceased to be a Trustee.

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 judgment, the best interest of the Cooperative will be served thereby.

SECTION 4. PRESIDENT

The President shall:

- (1) Be the principal executive officer of the Cooperative and unless determined by the members of the Board of Trustees, shall preside at all meetings of the members and the Board of Trustees;
- (2) 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 signature and execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to be otherwise signed or executed; and
- (3) 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 the powers of, and be subject to all of the restrictions upon, the President. The Vice-President shall also perform such duties as from time to time may be assigned to him/her by the Board of Trustees.

SECTION 6. SECRETARY

The Secretary shall be responsible for causing:

- (1) The minutes of the meetings of the Board of Trustees to be kept in one or more books provided for that purpose;
- (2) All notices to be duly given in accordance with these Bylaws or as required by law;
- (3) The safe-keeping of the corporate records and of the seal of the Cooperative, which he/she shall affix 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;
- (4) To be kept, a register of names and post office addresses of all members;
- (5) To be kept, a record of the membership actions, including any minutes from meetings of members;
- (6) A complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto, to be kept on file, which copy shall always be open for the inspection of any member; and
- (7) In general, the performance of all duties incident to the office of Secretary, and such other duties as from time to time may be assigned to him/her by the Board of Trustees.

SECTION 7. TREASURER

The Treasurer shall:

- (1) Have general charge and control over and be responsible for all funds and securities of the Cooperative;
- (2) Be responsible for causing the receipt of and the issuance of receipts for money due and payable to the Cooperative from any source whatsoever and for the deposit of all monies in the name of the Cooperative in such bank, institution or investment as shall be selected in accordance with the provisions of these Bylaws.
- (3) Be responsible for causing the general performance of duties incident to the office of Treasurer, and such other duties as from time to time may be assigned to him/her by the Board of Trustees.

SECTION 8. MANAGER

The Board of Trustees may appoint a Manager who may be, but 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, invest in him/her, and in general, is responsible for those external and internal affairs and activities of the Cooperative incident to and appropriate with the ordinary and regular course of the Cooperative's business.

SECTION 9. BOND OF OFFICERS

The Board of Trustees, in its discretion, may require any officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine appropriate.

SECTION 10. COMPENSATION

The powers, duties and compensation of any officers, agents or 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 or cause to be submitted, at each annual meeting of the members, reports covering the business of the Cooperative for the previous year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

**ARTICLE VI
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 patrons.

SECTION 2. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRICAL ENERGY

In the furnishing of electrical energy, the Cooperative's operation shall be so conducted that all member patrons will, through their patronage, furnish capital for the Cooperative.

In order to induce patronage and to insure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all of its members 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 electrical energy. All such amounts in excess of operating costs and expenses at the time of receipt by the Cooperative are received with the understanding that they are furnished by the member patrons as capital.

The Cooperative is obligated to pay by credits to a capital account for each member patron, subject to the provisions herein contained, all such amounts in excess of operating costs and expenses and provided that such capital accounts are to be kept on a calendar year basis. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each calendar year, the amount of capital, if any so furnished by each member patron, is clearly reflected and credited in the appropriate record, to the capital account of each member patron, and the Cooperative shall, within a reasonable time after the close of the calendar year, notify each member patron of the amount of capital so credited to his/her account. All such amounts credited to the capital account of any member patron shall have the same status as though they had been paid to the member patron in cash in pursuance of any legal obligation to do so, and the member patron had then furnished the Cooperative corresponding amounts for capital.

SECTION 3. RETIREMENT OF CREDITS

The decision of the Board of Trustees to refund capital to the membership to extinguish capital credits shall be deemed a retirement of capital credits.

A. Upon Dissolution or Liquidation. 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, as provided in Article I, Section 5 of these Bylaws.

B. General Retirement Prior to Dissolution or Liquidation. If at any time prior to dissolution or liquidation, the Board of Trustees shall determine 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; provided, however, that except as otherwise required by law, any payment for such retirement to a member who is indebted to the Cooperative, shall be offset by such indebtedness.

In addition to any other consideration relative to the financial condition of the Cooperative in making capital credit distributions, the Board of Trustees shall not make any distributions of capital credits in accordance with 35-18-316 MCA (including as modified or revised), to the extent that revenue is necessary to:

- (1) Defray expenses of the Cooperative and of the operation and maintenance of its facilities during the fiscal year;
- (2) Pay interest and principal obligations of the Cooperative coming due in the fiscal year;
- (3) Finance or provide a reserve for the financing of the construction or acquisition by the Cooperative of additional facilities to the extent determined by the Board of Trustees;
- (4) Provide a reasonable reserve for working capital;
- (5) Provide a reserve for the payment of indebtedness of the Cooperative maturing more than one year after the date of the incurrence of the indebtedness in an amount not less than the total of the interest and principal payments required to be made during the next fiscal year; and
- (6) Provide a fund which may be not less than 2% nor more than 5% of the balance remaining, for education in cooperation and for the dissemination of information concerning the effective use of electrical energy and other services made available by the Cooperative.

In addition, the Board of Trustees shall meet any further reserve requirements mandated by mortgage agreements or other contractual obligations to which the Cooperative is a party.

Each retirement of capital credits shall, in the sole discretion and determination of the Board of Trustees, be made pursuant to resolution of general application of the Board of Trustees in one of the following manners:

- (1) By payment to members in order of priority according to the year in which the capital was furnished and credited, the first received by the Cooperative being the first retired; or

(2) By payment to all members on the basis of the ratio that the unpaid capital credits standing in the name of each member on the books of the Cooperative bears to the total unpaid capital credits of all present and past member patrons as shown on the books of the Cooperative; or

(3) By the Board of Trustees determining the method, basis, priority and order of retirement, provided that all patrons similarly situated shall be treated equally and in proportion to their patronage as related to specific retirement which the Board determines to make.

Until declared payable, paid and received by a patron in cash, any credited capital remains the property of the Cooperative as such.

C. Retirement of Capital Credits Upon Death of a Natural Person. Notwithstanding any other provisions of these Bylaws, the Board of Trustees, at its discretion, shall have the power at any time upon the death of any member patron who is a natural person (and not a corporation, partnership, governmental entity or other entity), to retire capital credited to such member patron prior to the time such capital would otherwise be retired under the provisions of these Bylaws. In so doing, the Board of Trustees may determine the terms and conditions of such retirement, and shall do so only upon application of an appropriate legal representative of the estate making written claim therefor. Notwithstanding any other provisions hereof, retirement of capital credits upon the death of a member patron shall be limited to the extent required of any joint membership as specified in Article I, Section 3 B., and shall not be paid unless:

(1) The Board of Trustees determines that the financial condition of the Cooperative will not be impaired by such payment;

(2) The aggregate amount of capital credits retired in any one year shall be in compliance with all loan requirements of the Cooperative; and

(3) If acting under policies of general application, the amount mentioned above is not sufficient to retire the capital credited to any such member patron or patrons, capital credits owing shall be retired in the next succeeding year before any other retirements of capital credits are made in such succeeding year.

D. Miscellaneous. Any retirement of capital credits shall be subject to restrictions imposed against such retirement or by any applicable governmental entity and any loan agreements affecting the Cooperative. The Board of Trustees shall establish rates for electric service to allow a sufficient cash flow for the general retirement program established pursuant to these Bylaws.

SECTION 4. RETENTION OF CAPITAL CREDIT REFUND

The Cooperative shall, upon action of the Board of Trustees, retain capital credit refunds allocated to its members, that remain unclaimed for a period of five (5) years after the end of the year in which the refunds are given; provided refunds retained by the Cooperative must be used as soon as reasonable for educational purposes, to be determined by the Board of Trustees.

SECTION 5. CONTRACTUAL EFFECT

The patron 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 Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place at the Cooperative's office.

SECTION 6. REDEMPTION OF MEMBER/PATRON EQUITY CREDITS AT A DISCOUNT

Notwithstanding any other provisions of these Bylaws, the Board of Trustees, in its sole discretion, may establish an equity discounting program whereby all or partial balances of existing allocated patronage capital may be paid in cash at a discount to members/patrons or former members/patrons. Determination of eligibility for participation in the equity discounting program will be exclusively in discretion of the Board of Trustees and may include, but will not be limited to, current members, nonmembers/patrons, members/patrons that are permanently ending membership in the Cooperative, decedents' estates, among others.

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 patronage allocations. For redemption of earlier allocated patronage, the rotation cycle will also be used to determine the number of remaining years for each patronage 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 cost of patronage capital to serve as the discount rate to be used in calculation of the early redemption amount for all vintages from the original face value for each year for which early redemption is sought. The discount rate will be the 20 year Treasury Bond yield, plus an additional risk premium for the Cooperative determined as of the most recent year-end.

The unredeemed amount (i.e., the face amount less the discounted amount paid in cash) will be transferred to temporary patronage capital of the Cooperative and will be redeemable to participating members/patrons or former members/patrons only upon dissolution of the corporation. The temporary patronage capital will be subordinate to any regular patronage capital credited to members'/patrons' or former members'/patrons' accounts. Records of participants' identity, taxpayer identification number, last known address, and amounts transferred to temporary capital 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.

If the patronage capital discounting is offered by the Board of Trustees, then it will be at the option of the member/patron or former member/patron to participate.

ARTICLE VII **DISPOSITION OF PROPERTY**

Except as provided in this Article, 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 the members thereof by the affirmative vote of not less than two-thirds (2/3) of all the members of the Cooperative, and unless the notice of such proposed sale,

mortgage, lease or other disposition or encumbrance, shall have been contained in the notice of the meeting. The requirements of this provision shall not be amended to otherwise abrogate the requirements of any laws applicable to the Cooperative (including, but not limited to 35-18-317 MCA) or to be otherwise contrary to the Cooperative's contractual obligations.

In addition to the above requirements, before all or any substantial portion of Cooperative property is sold, mortgaged, leased or otherwise disposed of, all of the state statutory requirements relating to appraisal, notification of members, notification of other Cooperatives, etc., as required by any contractual obligation of the Cooperative, or any law, including but not limited to 35-18-317(3) MCA, shall be complied with.

Notwithstanding any other provision of this Article, the Board of Trustees 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, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Trustees shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof, or to any other lender or financing sources within the United States.

The requirements of this Article shall not apply to the transfer of Cooperative property in a merger or consolidation of Cooperatives; however, in such event all other legal requirements, including state statutory requirements relating to merger and/or consolidation of Cooperatives to the extent of membership approval is required, shall be applicable.

ARTICLE VIII **FINANCIAL TRANSACTIONS - ACCOUNTING**

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.

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 by such officer or officers, employee or employees, agent or agents 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 INVESTMENTS

All funds except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such banks or other prudent and secure institutions or investments as the Board of Trustees may select, and as otherwise required under any then existing loan agreements or related documents.

SECTION 4. CHANGE IN RATES

For so long as the Cooperative has loans outstanding with Rural Utilities Services (previously known as the Rural Electrification Administration) of the United States of America, written notice shall be given to the administrator of Rural Utilities Services not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electrical energy becomes effective.

SECTION 5. FISCAL YEAR

The fiscal year of the Cooperative shall begin on the first day of January each year, and end on the last day of December of the same year.

SECTION 6. ACCOUNTING SYSTEM AND REPORTS

The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, shall be subject to applicable laws and rules and regulations of any regulatory body to whose jurisdiction the Cooperative is subject. In addition, for so long as there are any outstanding obligations by the Cooperative owing to Rural Utilities Services (previously known as the Rural Electrification Administration) of the United States of America, the accounting system shall conform to such requirements as from time to time may be designated by said entity. All accounts of the Cooperative shall be examined by the Board of Trustees or by a committee of the Board of Trustees which shall render reports to the Board of Trustees, at least four times per year at regular meetings of the Board of Trustees. The Board of Trustees shall also, after the close of each 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 year. Such audit reports shall be submitted to the members at the following annual meeting.

ARTICLE IX **MISCELLANEOUS**

SECTION 1. 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, State of Montana."

SECTION 2. WAIVER OF NOTICE

Any member or Trustee may waive in a signed writing any notice of a meeting required to be given by these Bylaws, whether before or after the time fixed for the giving of such notice, and the same shall be deemed equivalent to such notice.

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 to the extent a member or a 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. MEMBER INITIATIVES

Notwithstanding any other provision of these Bylaws, except as otherwise required by applicable law, there shall be submitted to the members of the Cooperative any proposition embodied in a Petition signed by not less than ten percent (10%) of its members [with names and addresses of members also printed], together with any document submitted with such petition to give the effect to the proposition. Such petition and document(s) shall be presented at a special meeting of the members, held within forty-five (45) days after the presentation of such petition or, if the date of the next annual meeting of members falls within ninety (90) days after such presentation, or if the petition so requests, at such annual meeting. Board of Trustee approval of such proposition or document shall not be required, but such proposition or document shall be subject to all other applicable provisions of law, or these Bylaws, including but not limited to those relating to meeting Notice requirements.

Any petition and accompanying documents submitted pursuant to this provision shall be filed in the records of the Cooperative and the Secretary of the Board of Trustees shall provide notice to the members of the meeting at which the petition is to be addressed. The Secretary of the Board shall also cause a review of the names of the persons signing the petition to be compared with a list of the then current members of the Cooperative, to verify that the required percentage of members has, in fact, signed the petition.

SECTION 4. MEMBERSHIP IN OTHER ORGANIZATIONS

The Board of Trustees in its discretion shall have the power and authority on behalf of the Cooperative to purchase stock in, or to become a member of, any corporation or Cooperative or other organization organized on a non-profit basis for the purpose of engaging in rural electrification or promoting the interests of rural electrification and related business or services, or to invest in or join any other corporation for the purpose of acquiring electrical facilities. Furthermore, notwithstanding any other provision hereof, upon approval of the Board of Trustees, the Cooperative may become a member of a national, regional, state, or other non-profit association or corporation organized to further the interests, purposes and aims of Cooperatives, or of the electric distribution or utility industry or for the purpose of developing rural electrification.

SECTION 5. AMENDMENTS

These Bylaws may be altered, amended or repealed by the members at any regular or special meeting to the extent allowed by law, provided that the notice of such meeting shall contain a copy of the proposed alteration, amendment or repeal.