



Sun River

ELECTRIC COOPERATIVE

BYLAWS MANUAL

Effective:
March 29, 2002

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**BYLAWS
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SUN RIVER ELECTRIC COOPERATIVE INC.

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ARTICLE I MEMBERSHIP

SECTION 1: REQUIREMENTS FOR MEMBERSHIP.

Any person, firm, association, corporation or body politic or subdivision thereof shall become a member in Sun River Cooperative, Inc. (hereinafter called the "Cooperative") by:

(a) filing a written application for membership therein:

(b) agreeing to purchase from the Cooperative electric energy as hereinafter specified; and

(c) agreeing to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Trustees.

SECTION 2: MEMBERSHIP CERTIFICATES.

Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board of Trustees. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued. In no event, however, shall any delay in the issuance of or failure to possess such a membership certificate affect the rights and obligations of any person who can otherwise establish to the satisfaction of the Board of Trustees his status as a member of the Cooperative.

SECTION 3: 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 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 shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or

in respect to the holders of a joint membership shall be as follows:

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

SECTION 4: CONVERSION OF MEMBERSHIP.

(a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, Bylaws and rules and regulations adopted by the Board of Trustees. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.

(b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in such manner as shall indicate the changed membership status; provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 5: MEMBERSHIP FEE.

There will be no membership fee.

SECTION 6: PURCHASE OF ELECTRIC SERVICES.

Each member shall, as soon as electric transmission and distribution services shall be available, purchase from the Cooperative all electric transmission and distribution services used to provide electric energy to the premises specified in his application for membership, and shall pay therefor at rates which shall from time to time be fixed by the Board of Trustees. In addition to paying for such electric transmission and distribution services, each member shall also purchase from the Cooperative all electric energy used upon such premises, at the rates set by the Cooperative, unless such member shall have contracted to purchase electric energy from a supplier other than the

Cooperative in the event that the Cooperative shall have allowed other suppliers to sell electric energy to its members. Each member also shall pay to the Cooperative such minimum amount as shall be fixed by the Board of Trustees from time to time, regardless of the amount of electric energy consumed. All such amounts owed to the Cooperative shall be paid by the member as and when the same shall become due and payable.

SECTION 7: TERMINATION OF MEMBERSHIP.

Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Trustees may prescribe. The Board of Trustees of the Cooperative may, by affirmative vote of not less than two-thirds of all the Trustees, expel any member who shall have refused or failed to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules or regulations adopted by the Board of Trustees, but only if such member shall have been given written notice by the Secretary of the Cooperative that such refusal or failure makes him liable to expulsion and such refusal or failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board of Trustees or by vote of the members at any annual or special meeting.

Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

Provided however, if any member shall fail to purchase electrical energy from the Cooperative for a period of thirty days when the Cooperative is able to furnish the same, the Board of Trustees without notice to such member may suspend all of members' rights to participate in the management of such Cooperative including the right to vote and may declare the membership of such member forfeited and all rights in the Cooperative shall be at an end.

Provided however, any member may once in any year by written request direct that his service be discontinued for a period not exceeding six consecutive months and in event of such written notice the Trustees shall not cancel his membership as herein provided during the period for which the written request for cessation of service is stated in said written notice, unless said member has an unpaid

account 30 or more days old, in which event membership may be cancelled.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1: PROPERTY INTEREST OF MEMBERS.

Members and other persons holding patronage capital shall have no individual or separate interest in the property or assets of the Cooperative, except that upon dissolution the property and assets of the Cooperative remaining after all debts and liabilities of the Cooperative are paid shall be distributed among the members and other persons holding patronage capital in the proportion which the aggregate patronage of each thereof bears to the total patronage of all thereof.

SECTION 2: NON-LIABILITY FOR DEBTS OF THE COOPERATIVE.

The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the cooperative.

ARTICLE III MEETING OF MEMBERS

SECTION 1: ANNUAL MEETING.

The annual meeting of the members shall be held during the month of March, on a date designated by the Board of Trustees each year, at such place in the Counties of Teton, Cascade, Pondera or Chouteau, State of Montana, as shall be designated in the notice of the meeting for the purpose of electing trustees, passing upon reports for 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 written request signed by any three trustees,

by the President, or by ten per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the Counties of Teton, Pondera, Cascade, or Chouteau, 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 case of a special meeting, a district meeting or an annual meeting at which business other than that listed in Section 8 of this Article is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than twenty-five days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of 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 meeting.

SECTION 4: QUORUM.

As long as the total number of members does not exceed five hundred, ten per centum of the total number of members present in person, shall constitute a quorum. In case the total number of members shall exceed five hundred, fifty members or five per centum of the members whichever shall be the fewer, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice, provided, that the Secretary shall notify any absent members of the time and place of such adjourned meeting.

SECTION 5: VOTING.

Each membership shall be entitled to only one vote, without regard to the number of service accounts maintained by such membership in the records of the Cooperative. 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 voting by mail or by proxy shall be permitted.

Each nominee or incumbent shall have the opportunity to choose one teller. If the candidates decline to choose, then the manager or trustees may choose the teller. If additional tellers are required, they would be selected in the same manner.

SECTION 6: VOTING DISTRICTS.

The territory served or to be served by the Cooperative shall be divided into seven districts, each of which shall contain as nearly as possible the same number of members. Each district shall be represented by one trustee. The seven districts are as follows:

AREAS

- District No. 1 – Lower Sun River-Fort Shaw-Sun River
- District No. 2 – Upper Sun River-Augusta-Simms
- District No. 3 – Brady-Genou-Dutton-Power-Collins
- District No. 4 – Conrad-Valier-Ledger-Dupuyer
- District No. 5 – Fairfield-Greenfield-Vaughn
- District No. 6 – Choteau-Pendroy-Bynum
- District No. 7 – Highwood-Armington-Stockett

Not less than sixty days before any meeting of the members at which trustees are to be elected, the Board of Trustees shall review the composition of several districts and, if it should be found that inequalities in representation have developed which can be corrected by a redelineation of districts, the Board of Trustees shall reconstitute the districts so that each shall contain as nearly as possible the same number of members. The Board shall notify all members affected by district changes at least 60 days prior to the beginning of the nominating process.

SECTION 7: NOMINATION AND ELECTION OF TRUSTEES.

The Board of Trustees shall appoint, not less than forty (40) nor more than seventy (70) days before the date of a meeting of the members at which trustees are to be elected, a committee on nominations consisting of not less than three members from each voting district, in which a trustee is to be elected in accordance with Article IV Section 2. No member of the Board of Trustees may serve on such committee. Each such committee shall prepare and post at the principal office of the Cooperative at least thirty (30) days before the meeting, a list of nominations for trustee, for their respective district, which shall include one or more candidates. Any fifteen (15) or more members,

residing within their respective district, acting together may make other nominations by petition, not less than twenty (20) days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. No member of the Cooperative can be nominated to become a trustee of the Cooperative unless he or she has been a paying member for five consecutive years and a resident and property owner in the district he or she is to represent. The Secretary shall mail with the notice of the meeting or separately but at least ten (10) days before the date of the meeting a statement of the number of trustees to be elected and the names and addresses of candidates, specifying separately the nominations made by the committee and the nominations made by the petition, if any. The ballot to be used at the election shall list the names of the candidates nominated by the committee and the names of the candidates nominated by the petition, if any. The chairman shall call for additional nominations from each respective district from the floor and nominations shall not be closed until at least one minute has passed during which no additional nominations have been made. No member may nominate more than one candidate. 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 shall be considered elected as trustee.

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 and proof of the due publication of mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Approval of the unapproved minutes of previous meetings of the members.
4. Presentation and consideration of reports of officers, trustees and committees.
5. Election of trustees.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE IV TRUSTEES

SECTION 1: GENERAL POWERS.

The business and affairs of the Cooperative shall be managed by a Board of seven trustees which shall exercise all the powers of the Cooperative except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

SECTION 2: QUALIFICATIONS AND TENURE.

At the annual meeting of the members for the year 1940, the trustees from districts 3, 4, and 5 shall be elected for a three year term, trustees from districts 2 and 7 for a two year term and trustees from districts 1 and 6 for a one year term. In the years thereafter, beginning with the board members next term, all trustees shall be elected for a three year term. All trustees elected shall hold office during the respective terms for which they were elected and until their successor shall have been elected and shall have qualified.

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

(a) is not a member of the Cooperative and a bona fide resident of the particular district which he is to represent or

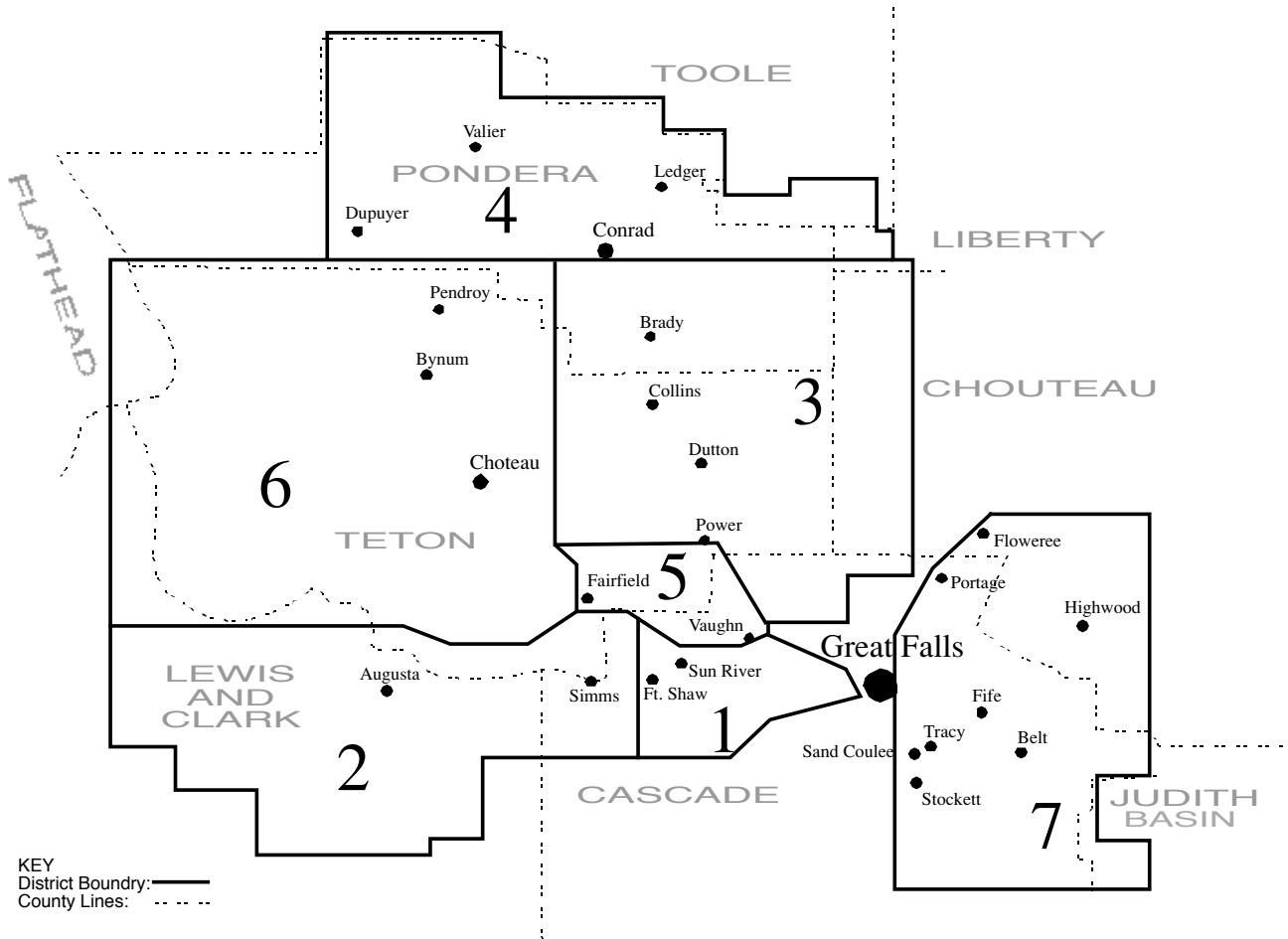
(b) is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the Cooperative or is an employee of the Cooperative.

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

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

SECTION 3: REMOVAL OF TRUSTEE BY MEMBERS.

Any member may bring charges against a trustee by filing such charges in writing with the Secretary, together with a petition signed by at least ten per centum of the members requesting the calling of a special meeting pursuant to Section 2 of Article III of these Bylaws to



consider the removal of such trustee by reason thereof. The trustee against whom such charges have been brought shall be informed in writing of the charges at least thirty (30) days prior to the meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person and by counsel and to present evidence and arguments in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. The Board of Trustees shall select a person to preside at such meeting; such presiding officer need not be a member of the Cooperative. Following presentation of the evidence and arguments, the members present at such meeting shall vote upon the question of the removal of such trustee. Any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, except that the trustee reside in the same district as the trustee in respect of whom the vacancy occurs.

SECTION 4: VACANCIES.

Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of trustees by the members or otherwise a vacancy occurring in the Board of Trustees shall be filled by the affirmative vote of a majority of the remaining trustees, each appointee to hold office until the ensuing annual meeting of the members at which time the members will fill said vacancy by elections of a trustee to hold office for the unexpired portion of the term of the trustee in respect of whom the original vacancy occurred. The member elected as trustee to fill the vacancy must reside in the same district as the trustee to whose office he succeeds.

SECTION 5: COMPENSATION.

Trustees as such shall not receive any salary for their services, but by resolution of the Board of Trustees, a fixed sum and expenses, if any, may be allowed for attendance at any meeting pertaining to the business or welfare of the Cooperative. No trustee shall receive compensation for serving the Cooperative in any other capacity, nor shall any parent, child, spouse or sibling of a trustee receive compensation for serving the Cooperative, unless the payment of compensation shall be specifically authorized by a vote of the members or the service of such trustee or parent, child, spouse or sibling shall have been certified by the Board of Trustees as an emergency measure.

SECTION 6: INDEMNIFICATION.

The Cooperative shall have the power to indemnify to the full extent permitted by law any person who is made, or threatened to be made, a party to any action, suit or proceeding (whether civil, administrative or investigative) by reason of the fact that he is or was a trustee, officer, employee, or agent of the Cooperative or who, while a trustee, officer, employee or agent of the Cooperative, is or was serving at the request of the Cooperative as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, or enterprise or of an employee benefit plan, against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, and shall inure to the benefit of the heirs and personal representatives of such person.

SECTION 7: INSURANCE.

The Cooperative shall have the power to purchase and maintain insurance on behalf of any person who is or was a trustee, officer, employee, or agent of the Cooperative, or who, while a trustee, officer, employee, or agent of the Cooperative, is or was serving at the request of the Cooperative as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, or enterprise, or of an employee benefit plan, against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Cooperative would have the power to indemnify him against such liability.

ARTICLE V MEETINGS OF THE BOARD

SECTION 1: REGULAR MEETINGS.

A regular meeting of the Board of Trustees shall be held without notice other than this Bylaw, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Trustees shall also be held monthly at such time and place in the Counties of Teton, Cascade, Pondera or Chouteau, as the Board of Trustees may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2: SPECIAL MEETINGS.

Special meetings of the Board of Trustees may be called by the President or by any three trustees and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The president of the trustees calling the meeting shall fix the time and place (which shall be in the Counties of Teton, Cascade, Pondera or Chouteau) for the holding of the meeting.

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 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, to each trustee. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the trustee at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

SECTION 4: QUORUM.

A majority of the Board of Trustees shall constitute a quorum, provided, that if less than such majority of the trustees is present at said meeting, a majority of the trustees present may adjourn 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 of Trustees.

ARTICLE VI OFFICERS

SECTION 1: NUMBER.

The officers of the Cooperative shall be a President, Vice President, Secretary and Treasurer and such further officers as may be designated and appointed by the trustees from time to time as circumstances or necessity may warrant. The offices of Secretary and of Treasurer may be held by the same person.

SECTION 2: ELECTION AND TERM OF OFFICE.

The officers shall be elected, by ballot, annually by and from the Board of Trustees at the meeting of the Board of Trustees held directly after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Trustees following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board of Trustees for the unexpired portion of the term.

SECTION 3: REMOVAL OF OFFICERS AND AGENTS BY TRUSTEES.

Any officer or agent elected or appointed by the Board of Trustees may be removed by the Board of Trustees whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer by filing such charges, in writing, with the Secretary, together with a petition signed by ten per centum of the members requesting the calling of a special meeting pursuant to Section 2 of Article III of these Bylaws to consider the removal of the particular officer by reason thereof. The officer against whom such charges have been brought shall be informed in writing of the charges at least thirty (30) days prior to the meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person and by counsel and to present evidence and arguments in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. The Board of Trustees shall select a person to preside at such meeting; such presiding officer need not be a member of the cooperative. Following presentation of the evidence and arguments, the members present at such meeting shall vote upon the question of the removal of such officer.

SECTION 4: PRESIDENT.

The President shall:

(a) be the principal executive officer of the Cooperative Board, and, unless otherwise determined by the members of Board of Trustees, shall preside at all meetings of the members and the

Board of Trustees as chairman.

(b) sign, with the Secretary, certificates of membership and sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Trustees to be executed, except in cases in which the signing and the execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to some other officer or agent of the Cooperative or shall be required by law to be otherwise signed or executed; and

(c) in general perform all duties incident to the office of President, and such other duties as may be prescribed by the Board of Trustees from time to time.

SECTION 5: VICE PRESIDENT.

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

SECTION 6: SECRETARY.

The Secretary shall be responsible for causing:

(a) the minutes of the meetings of the members and the Board of Trustees to be kept in one or more books provided for that purpose.

(b) all notices to be duly given in accordance with these Bylaws or as required by law.

(c) the safekeeping of the corporate records and of the seal of the Cooperative, which he shall affix 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 provision of these Bylaws.

(d) a register of the names and post office address of all members to be kept.

(e) certificates of membership to be signed by the President and himself.

(f) 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 to the inspection of any member, as provided by law.

(g) 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 by the Board of Trustees.

SECTION 7: TREASURER.

The treasurer shall be responsible for causing:

(a) all funds and securities of the Cooperative to be kept in custody.

(b) 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 such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provision of these Bylaws.

(c) the general performance of all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Trustees.

SECTION 8: MANAGER.

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

SECTION 9: BONDS OF OFFICERS.

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

SECTION 10: COMPENSATION.

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

SECTION 11: REPORTS.

The officers of the Cooperative shall submit at each annual meeting

of the members, reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ENERGY

In the furnishing of electric services and energy the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis the Cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric services and energy in excess of operating costs and expenses properly chargeable against the furnishing of electric services and energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Trustees shall determine that the financial

condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. After November 10, 1976 and thereafter the Board of Trustees shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital.

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

Notwithstanding any other provision of these Bylaws, the Board of Trustees at its discretion shall have the power at any time upon the death of any patron, who was a natural person, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provision of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Trustees acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge, that the terms and provisions of the articles of the incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE VIII

DISPOSITION OF PROPERTY

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 meeting of the members thereof by the affirmative vote of not less than two-thirds of all the members of the Coopera-

tive and unless, the notice of such proposed sale, mortgage, lease or disposition or encumbrance shall have been contained in the notice of the meeting; provided, however that notwithstanding anything herein contained, 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, and whatever situated, 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 United States of America or any instrumentally or agency thereof, or to any other financing sources within the United States.

Notwithstanding anything contained herein to the contrary, the provisions of this Article VIII shall have no application to the transfer of all or any portion of the Cooperative's transmission facilities to a separate subsidiary corporation.

ARTICLE IX SEAL

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Montana."

ARTICLE X FINANCIAL TRANSACTIONS

SECTION 1: CONTRACTS.

Except as otherwise provided in these Bylaws the Board of Trustees may authorize any officer or officers, agent or agents to enter into any contract, or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined by specific instances.

SECTION 2: 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 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 of Trustees.

SECTION 3: DEPOSITS.

All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Trustees may select.

SECTION 4: FISCAL YEAR.

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

ARTICLE XI MISCELLANEOUS

SECTION 1: MEMBERSHIP IN OTHER ORGANIZATIONS.

The Cooperative shall not become a member of any other organization without an affirmative vote of the members at a meeting called as provided in these Bylaws, and the notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business, provided, however, that the Cooperative may upon the authorization of the Board, become a member of any corporation or organization organized on a nonprofit basis for the purpose of engaging in or furthering the cause of rural electrification.

SECTION 2: WAIVER OF NOTICE.

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

SECTION 3: RULES AND REGULATIONS.

The Board of Trustees shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 4: ACCOUNTING SYSTEM AND REPORTS.

The Board of Trustees shall cause to be established and maintained a complete accounting system which among other things subject to applicable laws and rules and regulations of any regulatory body shall conform to generally accepted accounting principals ("GAAP") as may be promulgated from time to time by the American Institute of Certified Public Accountants. Within a reasonable time after the close of each fiscal year the Board of Trustees shall cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative, as of the end of such fiscal year. A report of such audit shall be submitted to the members at the annual meeting next following the close of such fiscal year.

SECTION 5: AREA COVERAGE.

The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who:

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

ARTICLE XII AMENDMENTS

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