

CONTENTS

	PAGE
ARTICLE I - MEMBERSHIP	
Section 1.01	Requirements for Membership 1
1.02	Membership Information 1
1.03	Joint Membership 1
1.04	Conversion of Membership 2
1.05	Membership Fees 2
1.06	Purchase of Electric Power and Energy 2
1.07	Termination of Membership 3
1.08	Furnishing of Other Services 3
ARTICLE II - RIGHTS AND LIABILITIES OF MEMBERS	
Section 2.01	Property Interest of Members 3
2.02	Non-liability For Debts of the Cooperative 3
ARTICLE III - MEETINGS OF MEMBERS	
Section 3.01	Annual Meeting 4
3.02	Special Meetings 4
3.03	Notice of Members' Meetings 4
3.04	Quorum 4
3.05	Voting 4
3.06	Order of Business 5
ARTICLE IV - DIRECTORS	
Section 4.01	General Powers 5
4.02	Qualifications 5
4.03	Nominations 6
4.04	Election 6
4.05	Tenure 6
4.06	Removal of Directors by Members 7
4.07	Director Resignation 7
4.08	Vacancies 7
4.09	Compensation; Expenses 7
4.10	Director Districts 7
4.11	Director Conduct 8
4.12	Close Relative Defined 8
4.13	Indemnification and Insurance 8
ARTICLE V - MEETINGS OF DIRECTORS	
Section 5.01	Regular Meetings 9
5.02	Special Meetings 9
5.03	Notice of Directors' Meetings 10
5.04	Quorum 10
5.05	Meetings by Electronic Transmission 10
ARTICLE VI - OFFICERS	
Section 6.01	Number 10
6.02	Election and Term of Office 10

6.03	Removal of Officers and Agents by Directors	10
6.04	President	11
6.05	Vice President	11
6.06	Secretary	11
6.07	Treasurer	11
6.08	Manager	12
6.09	Bonds of Officers	12
6.10	Compensation	12
6.11	Reports	12
6.12	Delegation of Secretary's and Treasurer's Responsibilities	12
ARTICLE VII- NON-PROFIT OPERATION		
Section 7.01	Interest or Dividends on Capital Prohibited	12
7.02	Capital Credit Payments	12
ARTICLE VIII - DISPOSITION		
Section 8.01	Disposition of Property	14
ARTICLE IX - SEAL		
Section 9.01	Corporate Seal	15
ARTICLE X - FINANCIAL TRANSACTIONS		
Section 10.01	Contracts	15
10.02	Checks, Drafts, Etc.	15
10.03	Deposits	15
10.04	Fiscal Year	15
ARTICLE XI - MERGER OR CONSOLIDATION		
Section 11.01	Merger and Consolidation	16
11.02	Member Approval and Notice	16
11.03	Other Requirements	16
ARTICLE XII - MISCELLANEOUS		
Section 12.01	Membership in Other Organizations.	16
12.02	Waiver of Notice	17
12.03	Policies, Rules and Regulations	17
12.04	Accounting System and Reports	17
12.05	Area Coverage	17
12.06	Partial Invalidity	17
12.07	Cumulative Remedies	17
12.08	Successors and Assigns	17
12.09	Waiver	18
ARTICLE XIII - AMENDMENTS		
Section 13.01	Amendments	18
13.02	Sponsorship of Amendments	18
13.03	Board Sponsored Amendments	18
STATEMENT OF NON-DISCRIMINATION		19

**BY-LAWS
OF
McCone Electric Co-op., Inc.**

AS AMENDED THROUGH JUNE 6, 2008

**Article I
MEMBERSHIP**

SECTION 1.01 Requirements for Membership. Any person, firm, association, corporation, body politic or sub-division thereof or other legal entity will become a member in McCone Electric Co-op., 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;
- (c) agreeing to comply with and be bound by the articles of incorporation and By-laws of the Cooperative and any policy adopted by the board of directors; and
- (d) paying the membership fee hereinafter specified;

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

SECTION 1.02 Membership Information. Upon becoming a member of the Cooperative, each member shall receive a copy of the by-laws of the Cooperative and a copy of the "Member's Handbook". The by-laws explain the various aspects of how the Cooperative is run while the handbook is an information pamphlet covering a broad array of subjects related to being a Cooperative member.

SECTION 1.03 Joint Membership. Two or more natural persons principally residing at the same location may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these By-laws shall be deemed to include 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 of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of any or all shall be regarded as the presence of one member and shall have the effect of constituting a joint waiver of notice of the meeting;
- (b) The vote of any separately or all jointly shall constitute a joint vote;
- (c) A waiver of notice signed by any or all shall constitute a joint waiver;
- (d) Notice to any shall constitute notice to all;
- (e) Expulsion of any shall terminate the joint membership;

- (f) A joint member otherwise qualified is eligible to serve as a member of the board (“director”). If more than one (1) joint member is otherwise qualified to serve as director, then any one (1) joint member, but not more than one (1), may simultaneously be eligible to serve as a director.
- (g) Joint members are jointly and severally liable for payment of joint member bills and debts.

SECTION 1.04 Conversion of Membership. Upon the death of a joint member, or upon the failure to principally reside in the same location between joint members:

- (a) If one or more joint members continues to legally use, receive or purchase a cooperative service at the same location, then the joint membership converts to a joint membership in the names of the joint members continuing to legally use, receive or purchase a cooperative service at the same location; and shall be considered a transfer of membership.
- (b) If no joint member continues to legally use, receive or purchase a cooperative service at the same location, then the joint membership terminates.

SECTION 1.05 Membership Fees. The membership fee shall be an amount as established by policy of the board of directors.

SECTION 1.06 Purchase of Electric Power and Energy. The Cooperative shall use its best efforts to furnish its members with adequate and dependable electric service. It cannot, and therefore does not, guarantee a continuous and uninterrupted supply. Each member, for as long as such premises are owned or directly occupied or used by the member, shall purchase from the Cooperative all central station electric power and energy for use on all premises to which electric service has been furnished by the Cooperative pursuant to the membership. The board of directors may, in writing, waive such requirement. The member shall pay any amount in accordance with the rules, regulations, and rate schedules (including any minimum amount that may be charged without regard to the amount of electric power and energy actually used or in accordance with the provisions of any supplemental contract that may have been entered into) established by the board of directors. Production or use of electric energy on such premises, regardless of the source thereof by means of facilities which shall be interconnected with cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Each member shall also pay all other amounts owed by him or her to the Cooperative as and when they become due and payable. When the member has more than one account with the Cooperative, any payment by the member to the Cooperative shall be allocated and credited as determined by the Cooperative, unless the member specifies how the funds are to be allocated.

The Cooperative shall have the right to disconnect a service line for nonpayment in accordance with the Cooperative’s policies. Once a service line has been disconnected for nonpayment, the service shall not be reconnected until the delinquent bill or bills, together with the charges for disconnection and reconnecting shall have been full paid.

SECTION 1.07 Termination of Membership.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board of directors may prescribe. The board of directors may, by the affirmative vote of not less than two-thirds of all the directors, expel any member who fails to comply with any of the provisions of the articles of incorporation, By-laws or policies adopted by the board of directors. The member shall have been given written notice by the Cooperative that such failure makes the member liable to expulsion and such failure shall have continued for at least ten days after such notice was given. The membership of a member who for a period of six (6) months after service is available, has not purchased electric energy from the Cooperative, or a member who has ceased to purchase energy from the Cooperative, shall have the membership canceled by resolution of the board of directors.
- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or the estate from any debts due the Cooperative.
- (c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid in cash. The Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owing from the member to the Cooperative. A membership fee which has been paid, in whole or in part, by the application of capital credited to the account of a nonmember patron as provided in these By-laws, shall be repaid to the member only in accordance with the provisions of these By-laws with respect to the retirement of patronage capital.

SECTION 1.08 Furnishing of Other Services. The Cooperative may elect to provide services other than electric service as permitted by law and as approved by the board.

Article II RIGHTS AND LIABILITIES OF MEMBERS

SECTION 2.01 Property Interest of Members. Upon dissolution after (a) all debts and liabilities of the cooperative shall have been paid, and (b) all capital furnished through patronage shall have been retired as provided in these by-laws, the remaining property and assets of the cooperative shall be distributed among the members in the proportion to which the member's unpaid capital credit balance bears to the total patronage capital credits previously allocated but not paid preceding the date of the filing of certificate of dissolution.

SECTION 2.02 Non-Liability for Debts of the Cooperative. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

Article III

MEETINGS OF MEMBERS

SECTION 3.01 Annual Meeting. The annual meeting of the members shall be held on a day in May or June of each year. The day is to be designated by the board of directors at a special or regular meeting held on or before the month of February prior to the date designated for said annual meeting. The board of directors may designate the place within the Cooperative service area, State of Montana, as shall be designated on the notice of the meeting, for the purpose of electing directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the board of directors to make adequate plans and preparations for the annual meeting. The day so designated for the annual meeting shall not fall on Sunday or legal holiday. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02 Special Meetings. Special meetings of the members may be called by resolution of the board of directors, or upon a written request signed by any three directors, by the president, or by ten percent or more of all the members. It shall then be the duty of the secretary to cause notice of such meeting to be given as provided in Section 3.03. Special meetings of the members may be held at any place within the Cooperative service area, State of Montana, specified in the notice of the special meeting.

SECTION 3.03 Notice of Members' Meetings. Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring a special notice is to be transacted, the purpose or purposes for which the meeting is called. Notice shall be delivered to each member not less than ten days nor more than twenty-five days before the date of the meeting, either personally or by mail, by or at the direction of the secretary, or should the secretary fail to give notice, by the persons calling the meeting. If mailed, such notices shall be deemed to be delivered when deposited on the United States mail, addressed to the member at his or her address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 3.04 Quorum. Business may not be transacted at a meeting of the members unless seventy-five (75) members or five percent (5%) of the total membership, whichever shall be the smaller, are present in person. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date not less than thirty (30) days later and to any place within the Cooperative service area, State of Montana. The secretary shall notify any absent members of the time, date, and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03. At all meetings of the members, whether a quorum be present or not, the secretary shall attach to the meeting minutes, or incorporate therein by reference, a list of those who were present.

SECTION 3.05 Voting. Each member shall be entitled to only one vote. 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 by these bylaws.

SECTION 3.06 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 which members are present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Taking of necessary action upon the unapproved minutes of previous meetings of the members.
4. Presentation and consideration of report of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournment

Article IV DIRECTORS

SECTION 4.01 General Powers. The business and affairs of the Cooperative shall be managed by a board of nine (9) directors, which shall exercise all of the powers of the Cooperative except such as are by law, the articles of incorporation or these By-laws, conferred upon or reserved to the members.

SECTION 4.02 Qualifications. Directors must be natural persons. No person shall be eligible to become or remain a director of the Cooperative:

- (a) Who is not a member of the Cooperative,
- (b) Who is not a bona fide resident within the territorial boundaries of the Cooperative for a minimum of three years and receiving service therefrom.
- (c) Who is an employee of the Cooperative.
- (d) Who is a close relative of an incumbent director or of an employee of the Cooperative,
- (e) Who is in any way employed by, or financially interested in, a competing enterprise, or a business selling electric energy or supplies to the Cooperative, or any entity owned or controlled by the Cooperative.

Upon establishment of the fact that a nominee for director lacks eligibility under this section, or as may be provided elsewhere in these By-laws, it shall be the duty of the chairman presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. After being elected or appointed a director, if any director fails to comply with any director qualification, as reasonably determined by the board, then the board is authorized to, and shall, remove the director. If at least a majority of the directors authorized by these By-laws comply with the director qualification and approve a board action, then failure of any director to comply with all director qualifications does not affect the board action.

SECTION 4.03 Nominations. Subject to the requirements of Article IV, SECTION 4.02, "Qualifications," of these by-laws, nominations for members to serve on the board of directors shall be by written petition only. Any petition for nomination shall be in writing and be signed by not less than five (5) members of the cooperative who reside in the district for which the nomination is made. The cooperative will furnish official petition forms for this purpose. The official petition shall designate the name of the nominee, the term for which the nominee is being nominated and the director district for which the nomination is made.

All nominating petitions shall be filed at the office of the cooperative with the secretary at least forty-five (45) days but not more than ninety (90) days before the meeting at which board members are to be elected.

The secretary shall post all nominations thus made at the principal office of the cooperative at least thirty (30) days before the meeting.

Nominations by petition will be the exclusive method of nomination.

SECTION 4.04 Election. All nominations for the position of Director shall be per the requirements of Article IV, SECTION 4.03, "Nominations," of these by-laws.

Should more than one member be nominated for the position of Director, for a particular director district(s), the Cooperative shall prepare ballots listing names of each nominee for that particular district(s). Ballots shall be mailed to each member of the Cooperative, along with the notice of the annual meeting at which such director(s) shall be elected, not less than ten (10) days nor more than twenty-five (25) days before the date of the meeting. A self-addressed envelope shall accompany the ballot, with first-class postage pre-paid. The member voting in the election shall return the completed ballot to the principal office of the Cooperative, either by mail or in person, prior to the date of the annual meeting. Members may also bring their ballot to the annual meeting and vote in person. In no case shall voting by proxy be allowed. The nominee receiving a plurality of votes from all members voting shall be proclaimed as Director for that district. In the event of a tie vote, a drawing by lot shall determine the Director.

Should no more than one nomination for the position of Director be received for a particular district, the secretary shall so certify in the notice of the meeting and the nominee shall be proclaimed as the Director for that district.

SECTION 4.05 Tenure. There shall be three directors for each director district, each to serve a three-year term and only one term shall expire each year in each of the director districts. Upon their election, directors shall, subject to the provisions of these By-laws with respect to the removal of directors, serve until the annual meeting of the members of the year in which their terms expire or until their successors shall have been elected and shall have qualified. If for any reason an election of directors shall not be held at an annual meeting of the members duly fixed and called pursuant to these By-laws, such election may be held at an adjournment of such meeting or at a subsequently held special meeting or at the next annual meeting of the members. In the event an election is not held for a successor director for one whose term expired, the incumbent director shall hold office until a duly held election is had electing a successor.

SECTION 4.06 Removal of Directors by Members. Any member may bring charges **for cause** against a director and, by filing with the secretary such charges in writing, together with a petition signed by a minimum of ten percent of the members, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least **twenty (20)** days prior to the meeting of the members at which the charges are to be considered, shall have an opportunity at the meeting to be heard in person or by a counsel and to present evidence in respect to the charges. The person or persons bringing the charges against him or her shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members. Any vacancy created by such removal may be filled by vote of the members, without compliance with the foregoing provisions with respect to nominations.

If a director is absent from three consecutive regular board meetings without permission, granted by the board before, during or after at least one of such absences, the board shall declare the office vacant. Written notice of the action to be considered shall be given to all directors before the meeting at which the vacancy is declared.

“Cause”, as used above, shall include (but not limited to) immorality, unfitness, incompetence, or violation of the by-laws or the adopted policies of the Cooperative.

SECTION 4.07 Director Resignation. A director may resign at any time by delivering written notice of resignation to the board, president, or secretary. Unless the written notice of resignation specifies a later effective date, a director’s resignation is effective upon the board, president, or secretary receiving the written notice of resignation.

SECTION 4.08 Vacancies. Subject to the provisions of these By-laws with respect to the filling of vacancies, a vacancy occurring in the board of directors, shall be filled by the affirmative vote of a majority of the members at the next member meeting. A director thus elected shall serve out the remaining term of the director whose office was vacated and until his or her successor is elected and qualified. Such a director shall be from the same director district, as was the director whose office was vacated.

SECTION 4.09 Compensation; Expenses. For their services as such, directors shall receive such compensation, which may include insurance benefits, as is fixed by resolution of the board of directors. For the performance of their duties, directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred, in accordance with the Cooperative’s established policies. A director in any other capacity or any close relative of a director shall not receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by a vote of the members or such payment and amount shall be specifically authorized by the remaining directors upon their certification of such as an emergency measure. A director who is also an officer of the board, and who, as such officer, performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the remaining directors.

SECTION 4.10 Director Districts. In order that all members may be fairly represented on the board of directors, the area served shall be divided into director districts. Each district shall be represented by an equal number of members on the board of directors,

each of who must meet all qualifications provided in these By-laws, and in addition each board of director member shall reside in the district he or she shall serve.

District One: Also designated as the Vida-Richey district, shall consist of all of the area east of the Big Dry Arm of Fort Peck lake and east of the township line between Township 20 North, Range 42 East and Range 43 East, to the southwest corner of Township 20 North, Range 43 East, thence east on the south line of Township 20 North to the area boundary.

District Two: Also designated as the Circle-Bloomfield-Lindsay district, shall consist of all of the area to the south of District One and east of a line beginning at the northwest corner of Township 19 North, Range 48 East to the Yellowstone River.

District Three: Also designated as the Brockway-Jordan-Mosby district, shall consist of all of the area to the west of the area designated in Districts One and Two.

Further: It shall be the responsibility of the board of directors each year to re-survey the membership and establish director districts, each having as nearly as reasonably possible an equal number of members. Recognized dividing lines such as Section, Township, or County lines shall be followed in establishing those districts.

SECTION 4.11 Director Conduct. Unless modified or prohibited by law:

- (a) **Director Standard of Conduct.** A director shall discharge the director's duties, including duties as a board committee member:
 - 1. In good faith;
 - 2. With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
 - 3. In a manner the director reasonably believes to be in the Cooperative's best interests.
- (b) **Director Reliance on Others.** Unless a director possesses knowledge concerning a matter making reliance unwarranted, then in discharging a director's duties, including duties as a board committee member, a director may rely upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by:
 - 1. One or more cooperative officers or employees whom the director reasonably believes to be reliable and competent in the matters prepared or presented;
 - 2. Legal counsel, public accountants, or other individuals regarding matters the director reasonably believes are within the individual's professional or expert competence.
- (c) **Director Liability.** If a director complies with the By-laws and the standard of conduct set forth in paragraphs (a) and (b) above, such director shall not be liable to the Cooperative, any member, or another individual or entity for any action taken or not taken as a director.

SECTION 4.12 Close Relative Defined. As used in these bylaws, "close relative" means a person who is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece, by blood or in-law, of the principal.

SECTION 4.13 Indemnification and Insurance. To the full extent permitted by law, each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, wherever brought, whether civil,

criminal, administrative or investigative, by reason of the fact that he or she was a director, officer, employee or agent of the Cooperative, or is or was serving at the specific request of the board of directors of the Cooperative as a director, officer, employee or agent of another cooperative, corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Cooperative against expenses, including reasonable attorneys' fees, judgments, fines and amounts its paid in settlement actually and reasonable incurred by him or her in connection with such action, suit or preceding. The indemnification with respect to a person who is or was serving as a director, officer, employee or agent of another cooperative, corporation, partnership, joint venture, trust or other enterprise shall apply only to the extent such person is not indemnified by such other cooperative, corporation, partnership, joint venture, trust or other enterprise. The indemnification provided by this section shall continue as to a person or agent and shall inure to the benefit of heirs and personal representatives of such person; and shall apply whether or not the claim against such person arises out of matters occurring before the adoption of this section.

Indemnification shall not be made to any of the aforementioned persons upon conviction for a criminal act when the person was found by a jury or pled guilty to purposely and/or knowingly committing the criminal act. Reimbursement for any monies expended by and compensation for damages to the Cooperative will be sought in the event of a crime for which a conviction was obtained.

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

Article V

MEETINGS OF DIRECTORS

SECTION 5.01 Regular Meetings. A regular meeting of the board of directors shall be held without notice, immediately after, and at the same place as the annual meeting of the members. A regular meeting of the board of directors shall also be held monthly at such time and place within cooperative boundaries, State of Montana, as the board of directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 5.02 Special Meetings. Special meetings of the board of directors may be called by board resolution, by the president or by any three (3) directors, 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 directors calling the meeting shall fix the date, time and place for holding of the meeting, which shall be held within the Cooperative service area unless all directors consent to its being held in some other place.

SECTION 5.03 Notice of Directors' Meetings. Written notice of the time, place and purpose of any special meeting of the board of directors shall be delivered to each director not less than five days previous thereto, 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 directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the director at his or her address as it appears on the records of the Cooperative, with postage thereon paid. The failure of any director to receive notice of a special meeting shall not invalidate any action that may be taken by the directors at any such meeting.

SECTION 5.04 Quorum. The presence in person of a majority of the directors in office shall be required for the transaction of business. The affirmative votes of at least a majority of the directors in office shall be required for any action to be taken. A director who by law or these By-laws is disqualified from voting on a particular matter shall not, with respect to consideration of, and action upon, that matter, be counted in determining the number of directors in office. If less than a quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause the absent directors to be duly and timely notified of the time and place of such adjourned meeting, except as otherwise provided in these By-laws.

SECTION 5.05 Meetings by Electronic Transmission. Unless otherwise provided in these By-laws, any regular board meeting or special board meeting may be conducted with absent directors participating, and deemed present in person, through any means of communication by which all directors participating in the board meeting may simultaneously hear each other during the board meeting.

Article VI OFFICERS

SECTION 6.01 Number. The officers of the Cooperative shall be a president, vice president, secretary, treasurer, and such other officers as may be determined by the board of directors from time to time. The same person may hold the offices of secretary and treasurer.

SECTION 6.02 Election and Term of Office. The officers shall be elected by ballot, annually by and from the board of directors at the meeting of the board of directors held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the board of directors following the next succeeding annual meeting of the members or until his or her successor shall have been elected and shall have qualified. The board of directors shall fill a vacancy in any office for the unexpired portion of the term.

SECTION 6.03 Removal of Officers and Agents by Directors. Any officer, agent, or employee elected or appointed by the board of directors may be removed by the board whenever in its judgement the best interest of the Cooperative will thereby be served. At any time, an officer may resign by delivering to the board an oral or written resignation.

SECTION 6.04 President. The president shall:

- (a) be the principal executive officer of the Cooperative and unless otherwise determined by the members of the board of directors, shall preside at all meetings of the members and the board of directors;
- (b) may sign, with the secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of directors, to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of directors or by these By-laws 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 directors from time to time.

SECTION 6.05 Vice President. In the absence of the president, or in the event of his or her 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 or her by the board of directors.

SECTION 6.06 Secretary. The Secretary shall BE RESPONSIBLE FOR:

- (a) keeping the minutes of the meetings of the members and of the board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these bylaws or as required by law;
- (c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) keeping a register of the names and post office addresses of all members;
- (e) keeping on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any members) and at the expense of the Cooperative, furnishing a copy of the bylaws and of all amendments thereto to any member upon request; and
- (f) in general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the board.

SECTION 6.07 Treasurer. The Treasurer shall BE RESPONSIBLE FOR:

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

SECTION 6.08 Manager. The board of directors may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall

perform such duties and shall exercise such authority as the board of directors may from time to time vest in him or her.

SECTION 6.09 Bonds of Officers. The treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the board of directors shall determine. The board of directors in its discretion may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with such surety, as it shall determine.

SECTION 6.10 Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed by the board of directors, subject to the provisions of these By-laws with respect to compensation for directors and close relatives of directors.

SECTION 6.11 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.

SECTION 6.12 Delegation of Secretary's and Treasurer's Responsibilities. Notwithstanding the duties, responsibilities and authorities of the secretary and the treasurer hereinbefore provided in Section 6 and Section 7, the board of directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of such officers' duties to one or more agents, other officers or employees of the Cooperative who are not directors. To the extent that the board does so delegate with respect to either such officer, that officer shall be relieved of such duties, responsibilities and authorities.

Article VII NON-PROFIT OPERATION

SECTION 7.01 Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or is payable by the Cooperative on any capital furnished by its patrons, except as provided in Section 7.02.

SECTION 7.02 Capital Credit Payments. In furnishing of electric energy or other services, the Cooperative's operation shall be conducted so that all patrons will, through their patronage, furnish capital for the Cooperative. The term "capital" shall include amounts necessary for operating costs and expenses and any sums received in addition thereto.

In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the board of directors of the Cooperative, in their sole discretion, will credit to the membership, to the extent that the membership has contributed to margins based upon patronage paid to the Cooperative, at the close of each fiscal year, refunds of capital which exceed the amount thereof necessary to:

- (a) defray expenses of the Cooperative and of the operation and maintenance of its facilities during the fiscal year;

- (b) pay interest and principal obligations of the Cooperative coming due in the fiscal year;
- (c) 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 directors;
- (d) provide a reasonable reserve for working capital;
- (e) 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 following fiscal year;
- (f) provide a fund, which may be not less than 2% or more than 5% of the balance remaining, for education in cooperation and for the dissemination of information concerning the effective use of electric energy and other services made available by the Cooperative; and
- (g) make any other expenditure as authorized by law.

Nothing contained in this section may be construed to prohibit the payment by a cooperative of all or any part of its indebtedness prior to the date when the payment becomes due. A cooperative shall, upon action of the board of directors, retain patronage 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. Refunds retained by the cooperative must be used for educational purposes.

The decision of the board of directors to refund capital to the eligible membership in the form of capital credits shall be deemed a "retirement" of capital credits.

The individual members have a right to their respective portion of the capital credits retired to the membership.

In those years when the board of directors decides to retire capital credits to the eligible membership, the Cooperative shall offer the individual members a capital credit payment within a reasonable time after the close of the fiscal year. If, at any time prior to dissolution or liquidation, the board of directors shall determine that the financial condition to the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. The board of directors shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital.

The board of directors shall have the power to adopt rules providing for the separate retirement of that portion (Power Supply Portion) of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric service to the Cooperative. Such rules shall:

- (a) establish a method for determining the power supply portion of capital credited to each patron for each applicable fiscal year,
- (b) provide for separate identification on the Cooperative's books of the power supply portion of capital credited to the Cooperative's patrons,
- (c) provide for appropriate notifications to patrons with respect to the power supply portion of capital credited to their accounts and
- (d) preclude a general retirement of the power supply portion of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or any capital credited to patrons for any prior fiscal year.

Capital credited to the account for 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 directors, acting under policies of general applications, shall determine otherwise. In the event any patron has not paid the required membership fee, the board of directors shall transfer from any capital credits that have accrued an amount equal to the membership fee to a membership for the patron. Notwithstanding any other provision of these By-laws, the board of directors at its discretion shall have the power to, at any time upon the death of any patron, who was a natural person, retire capital credited to any such patron immediately:

- (a) if the financial condition of the Cooperative will not be impaired,
- (b) upon such terms and conditions as the board of directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon,
- (c) if the legal representatives of his or her 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 provisions of these By-laws,
- (d) the Cooperative shall deduct from the amount of capital credits the amount of any debts or obligations owing from the patron to the Cooperative.

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

Article VIII DISPOSITION OF PROPERTY

SECTION 8.01 Disposition of Property and Transfer of Cooperative Assets. Except for any sale, lease, exchange or other disposition of any cooperative property or cooperative asset to:

- (a) secure indebtedness;
- (b) pursuant to condemnation or threat of condemnation;
- (c) pursuant to an existing legal obligation; or
- (d) associated with a consolidation or merge approved by the membership:

The Cooperative shall not transfer all or substantially all of the Cooperative's assets unless:

- (a) the board appoints three (3) independent appraisers, each of whom, within a reasonable time, evaluates the Cooperative's assets and renders an appraisal valuing the Cooperative's assets;
- (b) within a reasonable time of receiving the appraisals, the Cooperative invites all other electric cooperatives primarily located within the same state as, or within a state adjacent to, the state in which the Cooperative is primarily located to submit proposals to acquire the Cooperative's assets specified in the transfer, or to merge or consolidate with the Cooperative;
- (c) the board approves the transfer;

- (d) at least two-thirds (2/3) of the total membership approves the transfer;
- (e) notice of any member meeting at which members will consider the transfer states that one (1) of the purposes of the member meeting is to consider the transfer, and includes a copy or summary of the transfer; and
- (f) in proportion to the value or quantity of cooperative services used, received, or purchased by members during the period in which the Cooperative owned a cooperative asset, the Cooperative allocates and credits to members as capital credits any consideration received for the Cooperative's assets that exceed the Cooperative's debts, obligations, and liabilities.

Article IX
SEAL

SECTION 9.01 Corporate Seal. The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, State of Montana".

Article X
FINANCIAL TRANSACTIONS

SECTION 10.01 Contracts. Except as otherwise provided in these By-laws and as long as the contract meets the requirements of any other applicable agreement, the board of directors 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. Such authority may be general or confined to specific instances.

SECTION 10.02 Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed, and/or countersigned by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the board of directors.

SECTION 10.03 Deposits. All funds, except petty cash, of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the board of directors may select.

SECTION 10.04 Fiscal Year. The board of directors shall determine the fiscal year of the Cooperative.

Article XI
MERGER OR CONSOLIDATION

SECTION 11.01 Merger and Consolidation. In a manner determined by the board that is consistent with this By-law, the Cooperative may consolidate or merge with any other

entity that provides any cooperative service. The board must approve an agreement or plan to consolidate or merge, stating the:

- (a) Terms and conditions of the consolidation or merger;
- (b) Name of each entity consolidating or merging with the Cooperative;
- (c) Name of the new or surviving consolidated or merged entity;
- (d) Manner and basis, if any, of converting memberships, or ownership rights, of each consolidating or merging entity into memberships or ownership rights of, or payments from, the new entity;
- (d) Number of directors of the new entity, which must equal or exceed five (5);
- (e) Date of the new entity's annual meeting;
- (f) Names of new entity directors who will serve until the new entity's first annual meeting; and
- (g) Any other information required by law.

SECTION 11.02 Member Approval and Notice. After the board approves a consolidation or merger agreement and before such agreement shall become effective, two-thirds (2/3) of the members present and voting must approve the consolidation or merger agreement. The Cooperative shall notify directors of any board meeting, and members of any member meeting, at which directors or members may consider a consolidation or merger agreement. This notice must contain, or be accompanied by, a summary or copy of the consolidation or merger agreement.

SECTION 11.03 Other Requirements. The new entity directors named in the consolidation or merger agreement must sign and file articles of consolidation or merger in a manner, and stating the information, required by law. The Cooperative shall comply with all other requirements for consolidation or merger specified by law. After a consolidation or merger agreement is approved, and before articles of consolidation or merger are filed, the members may abandon the consolidation or merger.

Article XII MISCELLANEOUS

SECTION 12.01 Membership in Other Organizations. The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase. The Cooperative may upon the authorization of the board of directors, purchase stock in or become a member of any corporation organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of Rural Utilities Services, of any other corporation for the purpose of acquiring electric facilities.

SECTION 12.02 Waiver of Notice. Any member or director may waive in writing any notice of a meeting required to be given by these By-laws, except in case a member or director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director.

SECTION 12.03 Policies, Rules and Regulations. The board of directors shall have power to make and adopt such policies, rules and regulations, consistent with law, the articles of incorporation or these By-laws as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 12.04 Accounting System and Reports. The board of directors shall cause to be established and maintained a complete accounting system. Subject to the applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utility Services of the United States of America. The board of directors shall also after the close of each fiscal year 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. An unaudited report will be submitted to the members at the annual meeting.

SECTION 12.05 Area Coverage. The board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

SECTION 12.06 Partial Invalidity. When reasonably possible, every By-law, article, section, sub-section, paragraph, sentence, clause, or provision (collectively "By-law provision") must be interpreted in a manner by which the By-law provision is valid. The invalidation of any By-law provision by any entity possessing proper jurisdiction and authority, which does not alter the fundamental rights, duties and relationship between the Cooperative and members, does not invalidate the remaining By-law provisions.

SECTION 12.07 Cumulative Remedies. The rights and remedies provided in these By-laws are cumulative. The Cooperative or any member asserting any right or remedy provided in these By-laws does not preclude the Cooperative or member from asserting other rights or remedies provided in these By-laws.

SECTION 12.08 Successors and Assigns. To the extent allowed by law:

- (a) The duties, obligations, and liabilities imposed upon the Cooperative or any member by these By-laws are binding upon the successors and assigns of the Cooperative or member; and
- (b) The rights granted to the Cooperative by these By-laws inure to the benefit of the Cooperative's successors and assigns.

The binding nature of the duties, obligations, and liabilities imposed by these By-laws upon the successors and assigns of the Cooperative and any member does not relieve the Cooperative or member of the duties, obligations, and liabilities imposed by these By-laws upon the Cooperative or member.

SECTION 12.09 Waiver. The failure of the Cooperative or any member to assert any right or remedy provided in these By-laws does not waive the right or remedy provided in these By-laws.

Article XIII AMENDMENTS

SECTION 13.01 Amendments. Unless otherwise provided by these By-laws, these By-laws may be adopted, amended or repealed by the affirmative vote of a majority of members voting.

SECTION 13.02 Sponsorship of Amendments. Members may sponsor or proposed By-law amendments. Unless sponsored or proposed by the board, any proposed By-law amendment must be:

- (a) sponsored by, and accompanied by a dated petition containing the printed names, addresses, and original dated signatures obtained within sixty (60) days of the petition date of at least ten percent (10%) of the total membership;
- (b) delivered to and received by the Cooperative at forty-five (45) business days prior to the member meeting at which the members will consider the proposed By-law amendment;
- (c) prepared with a brief summary stating the effect of the amendment and the reason for the change.
- (d) After reviewed is determined lawful by the board; and
- (e) not altered or modified after delivery to the Cooperative.

SECTION 13.03 Board Sponsored Amendments. If the board sponsors the amendment, the board shall prepare and distribute with the proposed amendment a brief summary stating the effect of the amendment and the reason for the change.

STATEMENT OF NONDISCRIMINATION

McCone Electric Coop., Inc. is the recipient of Federal financial assistance from the Rural Utilities Services, an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, as amended, and the rules and regulations of the U.S. Department of Agriculture which provide that no person in the United States on the basis of sex, race, color, religion, national origin, age, or handicap shall be excluded from participation in, admission or access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for coordinating this organization's nondiscrimination compliance efforts is the General Manger. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may obtain further information about the statutes and regulations listed above from and /or file a written complaint with this organization; or the Secretary, U.S. Department of Agriculture, Washington, D.C. 20250; or the Administrator, Rural Utilities Service, Washington, D.C. 20250. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.

The above-entitled by-laws were duly adopted and approved by the membership at the annual meeting of McCone Electric Co-op., Inc. on June 6, 2008.

(SEAL)

ATTEST:

Kenneth Buechler, President

Ruth Hinnaland, Secretary

Donald Bogar, Director

Arne Sutton, Director

Patti Murphy, Director

Dean McCabe, Director

Conrad Moline, Director

Rod Weeding, Director

Henry Green, Director

**AMENDED
BY-LAWS**

**McCone Electric
Co-op, Inc.**

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Office Phone
485-3430
1-800-684-3605

Revised June 6, 2008

McCone Electric Co-op, Inc.
PO Box 368
Circle, MT 59215

Incorporated September 22, 1942

WE ARE AN INCORPORATED, locally owned,
private, non-profit, democratically organized by rural
people to bring power to our members at the lowest
possible cost.