

ARTICLE VII NON-PROFIT OPERATION

SECTION 1. Patronage Capital in Connection with Furnishing Electric Energy

The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. In the furnishing of electric energy service, the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. The Cooperative shall not pay interest or dividends on any capital furnished by its patrons.

SECTION 2. Providing For and Accounting For Patronage Capital Credits

In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy service in excess of operating costs and expenses. All amounts paid to the Cooperative in excess of operating costs and expenses are received with the understanding that they are furnished by the patrons' capital. The Cooperative is obligated to pay all such amounts in excess of operating costs and expenses to a capital account for each patron as capital credits. 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. The Cooperative shall, within eight and one-half (8½) months after the close of the fiscal year, notify each patron in writing of the amount of capital so credited to the patron's 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.

SECTION 3. Non-operating Revenue

Non-operating revenue received by the Cooperative, insofar as permitted by law, may be used in the following manner:

- A. Excess funds may be used to pay or offset any losses incurred during the current or any prior fiscal year.
- B. Excess funds may be retained or used as permanent, non-allocated capital.
- C. At the discretion of the Board, excess funds may be allocated to its patrons on a patronage basis, and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

SECTION 4. Assignment of Capital Credits

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. Such assignments may be made 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, acting under policies of general applications, shall determine otherwise.

The Board shall have the power at any time upon the death of any patron, who was a natural person, to retire the patron's capital credits immediately under the following conditions. If the legal representatives of the patron's 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 Bylaws, the Board may reach agreement with the legal representatives of such patron's estate to retire capital credited to any such patron immediately upon such terms and conditions, including capital credit discounting, as the Board permitted under approved cooperative policies provided that the financial condition of the Cooperative will not be impaired thereby. The Board shall establish policies and procedures for implementing and conducting any capital credit discounting.

SECTION 5. Retirement Capital Credits

If the Board determines that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. The Board of Trustees shall determine the method, basis, priority, and order of retirement, if any, for all amounts furnished as capital. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative has 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.

SECTION 6. Contract between Patron and Cooperative

The patrons of the Cooperative, by receiving energy service from the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract as fully as though each patron had individually signed a separate instrument containing such terms and provision. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative and made readily available and conspicuously evident using all standard means of notification.

SECTION 7. Memberships in Other Organizations

The Cooperative shall not become a Member 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, provided, however, that the Cooperative may upon the authorization of the Board, purchase stock in or become a Member of any corporation or organization organized on a non-profit basis for the purpose of engaging in furthering the cause of rural electrification, or with the approval of the Administrator of RUS, of any other corporation for the purpose of acquiring electric facilities.

ARTICLE VIII DISPOSITION OF PROPERTY

SECTION 1. Membership-Approved Dispositions

In accordance with Montana law (MCA 35-18-317), the Cooperative may not sell, lease, exchange, or otherwise dispose of all or any substantial portion of its property or assets unless the following occurs:

- A. The Board appoints three (3) independent appraisers. Each appraiser evaluates the Cooperative's assets and renders an appraisal valuing the cooperative's specified assets.
- B. The Board approves the transaction.
- C. Members are notified at least ninety (90) days in advance of a meeting to vote on disposition of assets or property and the terms of the proposed transaction.
- D. At least thirty (30) days before the Member Meeting, the Cooperative shall invite all the other electric cooperatives in the State of Montana to submit proposals to acquire the Cooperative's specified assets.
- E. Members are mailed, at least thirty (30) days before the Member Meeting, any alternative proposal made by Cooperative Members, if it has been submitted to the Board with dated signatures, printed names, addresses and phone numbers of fifty (50) or more Members.
- F. At least two-thirds (2/3) of the total membership approves the transaction in person at the Meeting and by mail ballot.