

BYLAWS

OAHE ELECTRIC



Your Touchstone Energy® Cooperative



*Amended as of
October 27, 2001*

BYLAWS OF
OAHE ELECTRIC COOPERATIVE, INC.

ARTICLE I
MEMBERSHIP

SECTION 1. Requirements of Membership. Any natural person, firm, association, corporation, partnership, federal agency, or body politic or subdivision thereof may become a member of Oahe Electric Cooperative, Inc. (hereinafter called the Cooperative) by:

- (a) Making written application for electric service;
- (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 Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors;
- (d) Upon payment of the connection fee and receipt of service, the applicant shall become a member; connect fee shall be determined by the Board of Directors. Each additional service connection shall require an additional fee provided, however, that no natural person, firm, association, corporation, partnership, federal agency, or body politic or subdivision thereof may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these Bylaws.

SECTION 2. Joint Membership. A husband and wife, a partnership, or two natural persons may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member," as used in these Bylaws, shall be deemed to include a husband and wife, a partnership, or two natural persons 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 action by or in respect of the holders of a joint membership shall be as follows:

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

SECTION 3. 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 or partner to comply with the Articles of Incorporation, Bylaws, and rules and regulations adopted by the Board of Directors. (b) Upon the death of either spouse or partner who is a party to the joint membership, such membership shall be held solely by the survivor, provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 4. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, except cogeneration, and shall pay therefor monthly at rates which shall from time to time be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital, and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the Cooperative such minimum amount per month, regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed to the Cooperative as and when the same shall become due and payable.

SECTION 5. 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 of the Cooperative 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, Bylaws, or rules or regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such 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 Directors or by vote of the members at any annual or special meeting. (b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate. (c) In case of withdrawal or termination of membership in any manner, the application of capital credited to the account of a non-member patron, as

provided in these Bylaws, shall be repaid to the member only in accordance with the provisions of these Bylaws with respect to the retirement of patronage capital.

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members. Upon dissolution, after (a) all debts and liabilities of the Cooperative shall have been paid, and (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the seven (7) years next preceding the date of the filing of the certificate of dissolution or if the Cooperative shall not have been in existence for such period, during the period of its existence.

SECTION 2. Non-Liability for Debts of the Cooperative. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Annual Meeting. The Annual Meeting of the members shall be held each year in the Counties of Hughes and Sully, State of South Dakota, the exact time and place to be selected by the Board of Directors and designated in the notice of the meeting. The purpose of the meeting shall be the election of 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. 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 Directors, or upon a written request signed by any three (3) directors, by the President, or by twenty per centum (20%) 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 Hughes and Sully, State of South Dakota, 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 or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called shall be delivered to each member not less than ten (10) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his 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 a 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 one thousand (1,000), five per centum (5%) of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed one thousand (1,000), fifty (50) members present in person 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. The minutes of each meeting shall contain a list of the members present in person.

SECTION 5. Voting. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, the Articles of Conversion, or these Bylaws.

SECTION 6. 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 on the number of members present in person in order to determine the existence of a quorum.
2. Report on the number of corporation memberships represented by a member of said corporation who has signed an official document stating that he is a member of said corporation and has been designated voting delegate for said corporation.
3. 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.
4. Reading of unapproved minutes of previous meeting of the members, or waiver thereof, and the taking of necessary action thereon.

5. Presentation and consideration of reports of officers, directors and committees.
6. Election of Directors.
7. Unfinished Business.
8. New Business.
9. Adjournment.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of five (5) directors which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Conversion or these Bylaws conferred upon or reserved to the members.

SECTION 2. Election and Tenure of Office. The directors shall be elected by ballot by and from the members, to serve for terms of three (3) years or until their successors shall have been elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of directors. These Bylaws provide for three (3) year terms. Beginning in the year 1952, two (2) directors shall be elected for three (3) years, two (2) directors for two (2) years, and one (1) director for one (1) year. At the election in 1952, the two (2) nominees receiving the highest number of votes shall be declared elected for terms of three (3) years each; the two (2) nominees receiving the next highest number of votes shall be declared elected for two (2) years each; and the next nominee receiving the next highest number of votes shall be declared elected for one (1) year. If an election of directors shall not be held on the day designated herein for the annual meeting or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing directors within a reasonable time thereafter. Directors may be elected by a plurality vote of the members. In case of a tie vote for director, the incumbent shall remain on the board until the next annual meeting, and the procedure for nomination and election shall be repeated and a director elected at the following annual meeting for the balance of the three-year term.

SECTION 3. Qualifications. No person shall be eligible to become or remain a director or to hold any position of trust in the Cooperative who:

- (a) Is not a member and bona fide resident in the area served or to be served by the Cooperative; 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 members of the Cooperative; or
- (c) Is an employee of the Cooperative.

Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions, the Board of Directors, by official motion, shall remove such director from office.

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

SECTION 4. Nominations. Any fifteen (15) or more members acting together may make nominations by petition not less than thirty (30) days prior to the meeting, and the secretary shall post such nominations at the principal office of the Cooperative. 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 directors to be elected and the names and addresses of the candidates nominated by petition. The chairman shall call for additional nominations from the floor, and nominations shall not be closed until at least one minute has passed during which no additional nomination has been made. No member may nominate more than one candidate.

SECTION 5. Removal of Directors by Members. Any member may bring charges against a director and, by filing with the Secretary such charges in writing, together with a petition signed by at least twenty per centum (20%) 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 ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges, and the person or persons bringing the charges against him 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, and 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.

SECTION 6. Vacancies. Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term.

SECTION 7. Compensation of Directors.

1. Directors shall receive no regular salary for their services; however, the Board of Directors shall fix by resolution a reasonable allowance for per diem, mileage, and all expenses while on the business of the Cooperative.
2. The Board of Directors shall, by resolution, provide ample insurance for the directors, such that the Cooperative and the individual director may be properly protected.

ARTICLE V

MEETINGS OF DIRECTORS

SECTION 1. Regular Meeting. A regular meeting of the Board of Directors shall be held monthly at such time and place in the Counties of Hughes and Sully, South Dakota, 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 2. Special Meeting. A special meeting of the Board of Directors may be held without notice immediately after, and at the same place as the annual meeting of the members, for the purpose of organization and such other business as may properly come before the meeting. Special meetings of the Board of Directors may be called 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 time and place (which shall be anywhere in the United States) for the holding of the meeting.

SECTION 3. 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 (5) 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 by 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 address as it appears on the records of the Cooperative, with postage thereon prepaid.

SECTION 4. Quorum. A majority of the Board of Directors shall constitute a quorum, provided, that if less than such majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time; and provided further that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE VI

OFFICERS

SECTION 1. Number. The officers of the Cooperative shall be a President, Vice-President, Secretary, Assistant Secretary, Treasurer, and such other officers as may be determined by the Board of Directors from time to time. 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 nominated and elected by ballot, annually, by and from the Board of Directors. 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 successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term.

SECTION 3. Removal of Officers and Agents by Directors. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors 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 any officer, and by filing with the Secretary such charges in writing, together with a petition signed by twenty per centum (20%) of the members, may request the removal of any officer. The officer against whom such charges have been brought shall be informed in writing of such charges at least ten (10) days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect to the charges; the person or persons bringing the charges against him shall have the same opportunity. In the event the board does not remove such officer, the question of his removal shall be considered and voted upon at the next meeting of the members.

SECTION 4. 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 unless delegated to another person hired by the Board of Directors;
- (b) 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 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 Directors 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 Directors.

SECTION 6. Secretary. The Secretary shall:

- (a) Keep the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose;
- (b) See that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) Be custodian of the corporate records and of the seal of the Cooperative and affix 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) Keep a register of the names and post office addresses of all members;
- (e) Have general charge of the books of the Cooperative;
- (f) Keep 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 member) and at the expense of the Cooperative, forward a copy of the Bylaws and of all amendments thereto to each member; and
- (g) In general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board of Directors.

SECTION 7. Assistant Secretary. In the absence of the Secretary or nonavailability of the Secretary, the Assistant Secretary shall perform the duties of the Secretary, and when so acting, shall have all the powers of and shall be subject to all the restrictions upon the Secretary, and shall perform such other duties as from time to time may be assigned to such Assistant Secretary by the Board of Directors.

SECTION 8. Treasurer. The Treasurer shall:

- (a) Have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) Be responsible for 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 Bylaws; and
- (c) In general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors.

SECTION 9. Manager. The Board of Directors may appoint or employ 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 the manager.

SECTION 10. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall give bond 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 give bond in such amount and with such surety as it shall determine.

SECTION 11. 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 Bylaws with respect to compensation for directors and close relatives of directors.

SECTION 12. Reports. The officers of the Cooperative shall submit at each annual meeting of the members, reports covering the business of the Cooperative for the previous fiscal or calendar year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal or calendar year.

SECTION 13. Indemnification of Officers, Directors, Employees and Agents: Insurance.

- (a) The Cooperative shall indemnify any 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, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Cooperative) by reason of the fact that he is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Cooperative and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create

a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had reasonable cause to believe his conduct was unlawful.

- (b) The Cooperative shall indemnify any person who was or is a party or is threatened to be made a party to any threatened pending or completed action or suit by or in the right of the Cooperative to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Cooperative or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, cooperative, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Cooperative and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Cooperative unless and only to the extent that the court in which such action or suit be brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which such court shall deem proper.
- (c) To the extent that a director, officer, employee or agent of the Cooperative has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b), or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.
- (d) Any indemnification under the foregoing provision of this section (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct as set forth in subsections (a) and (b). Such determinations shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the members of the Cooperative.
- (e) Expenses incurred in defending a civil or criminal action suit or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Cooperative as authorized in this section.
- (f) The indemnification provided by this section shall not be deemed exclusive of any other rights to which those seeking indemnity may be entitled under any bylaws, agreement, vote of members or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.
- (g) The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, cooperative, partnership, joint venture, trust or other enterprise 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 under the provisions of this section.

ARTICLE VII

NON-PROFIT OPERATION

SECTION 1. Interest or Dividends on Capital Prohibited. The Cooperative shall, at all times, be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric 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 energy in excess of operating costs and expenses properly chargeable against the furnishing of electric 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, provided, however, that no credits to the capital account of any patron shall be made or payments thereon made at the end of any fiscal year or at any other time until all deficits either in actual costs or operation of the Cooperative in any prior year or years have first been made up and credited or otherwise balanced out of the financial statement of the Cooperative. 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 of capital, except provided for by contracts.

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 Directors shall determine that the financial condition of the Cooperative shall not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Any such retirement shall be made either in order of priority according to the year in which the capital was furnished and credited (first in first out method) or on the basis of a percentage rate applied to the capital account of each member (percentage method). Such percentage rate may vary from year to year according to the financial circumstances of the Cooperative, but the same rate shall be applied to all capital credits generally retired during the same year. In no event, however, my capital credits be retired unless, after the proposed retirement, the capital of the Cooperative shall equal at least twenty-five per centum (25%) of the total assets of the Cooperative. Any amounts owed the Cooperative by the member or non-member shall be deducted before payment.

Notwithstanding any other provisions of the Bylaws, if any patron or former patron fails to claim any cash retirement of capital credits or other payment from the Cooperative within three (3) years after payment of the same has been made available to him by check mailed to him at his last address furnished by him to the Cooperative, such failure shall be and constitutes an irrevocable assignment and gift by such member of such capital credit or other payment to the Cooperative.

Failure to claim any such payment within the meaning of this section shall include the failure of such patron or former patron to cash any check mailed to him by the Cooperative at the last address furnished by him to the Cooperative. The assignment and gift provided for under this section shall become effective only upon the expiration of three (3) years from the date when such payment was made available to such patron or former patron without claim therefor and only after the further expiration of sixty (60) days following the giving of a Notice by mail or publication that unless such payment is claimed within sixty (60) days, such gift to the Cooperative shall become effective.

The Notice by mail herein provided shall be one mailed by the Cooperative to such patron or former patron at the last known address. If Notice by publication is given, such publication shall be one insertion in the newspaper circulated in the service area of the Cooperative.

The sixty (60) day period following the giving of such Notice, either by mail or publication, shall be deemed to terminate sixty (60) days after the mailing or publication of such Notice.

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 Directors, acting under policies of general application, shall determine otherwise. In the event that a non-member patron shall elect to become a member of the Cooperative, the capital credited to the account of such non-member may be applied by the Cooperative toward the payment of a connect fee on behalf of such non-member patron.

Notwithstanding any other provisions of these Bylaws, the Board of Directors, at its discretion, shall have the power at all times 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 provisions of these Bylaws, to retire capital credited to any such patron immediately 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; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

Notwithstanding any other provision of these Bylaws, the Board of Directors, at its discretion, and provided the financial condition of the Cooperative would allow for such retirement, shall have the power, upon the application of any natural person who has reached the age of seventy (70) years, to allow the payment of seventy per centum (70%) of the capital credited to such patron in return for the surrender of the remaining thirty per centum (30%) to the Cooperative. Additional capital credits allocated to individuals exercising such option shall be paid to them currently, at the same time as other retirements, at the rate of seventy per centum (70%) of the allocable amount, with the remainder to be allocated to the Cooperative. In the case of joint memberships, the joint members shall be eligible to seek retirement under this provision when the first of them shall reach the age of seventy (70).

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Conversion 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 being posted in a conspicuous place in the Cooperative's office.

Notwithstanding the above, the Board of Directors may provide for the establishment of a reserve account or accounts in the total aggregate amount not to exceed the sum of \$500,000. The purpose of the reserve account shall be to accumulate cash reserves to offset future large cash expenditures. These large expenditures may include such items, but not limited to,

avoidance of future rate increases, equipment purchases, capital improvements, storm repairs, and other major expenditures which might otherwise result in necessity of making significant rate adjustments.

SECTION 3. Patronage Refunds in Connection with Furnishing Other Services. In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, in so far as permitted by law, be prorated annually to the members according to their electrical patronage.

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 Cooperative, and unless the notice of such proposed sale, mortgage, lease or notice or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors 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 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 wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof or any other lending agency; provided further, that the Board of Directors may, upon the authorization of a majority of those members of the Cooperative, present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another cooperative or foreign corporation doing business in this State pursuant to the Act under which this Cooperative is incorporated, or to a municipality, other body politic, federal agency, or subdivision thereof.

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, South Dakota."

ARTICLE X

FINANCIAL TRANSACTIONS

SECTION 1. Contracts. Except as otherwise provided in these Bylaws, 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 of and on behalf of the Cooperative, and such authority may be general or confined to specific business.

SECTION 2. Checks, Drafts, etc. All checks, drafts and other orders for the payment of any 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 Directors.

SECTION 3. Change in Rates. Written notice shall be given to the Administrator of the Rural Utility Service of the United State of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

SECTION 4. Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such banks, CFC, or other depositories as the Board of Directors may select.

SECTION 5. Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December in the same year.

ARTICLE XI

MISCELLANEOUS

SECTION 1. 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 or directors 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 of Directors, purchase stock in or become a member of any corporation or organization organized for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of RUS or any other corporation for the purpose of acquiring electric facilities.

SECTION 2. Waiver of Notice. Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws, either before or after such meeting. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director, 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.

SECTION 3. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Conversion or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 4. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulator body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utility Service of the United States of America. The Board of Directors shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of the fiscal year. Such audit reports shall be submitted to the members.

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 specify the nature of the proposed alteration, amendment or repeal. Any amendment which is germane to the proposed alteration or amendment specified in the notice and submitted at such meeting may be acted upon at said meeting with the same force and effect as though it had been contained in the notice of the meeting.