



**BY-LAWS
OF
H-D ELECTRIC CO-OP, INC**
Amended April 18, 2015

Your Touchstone Energy[®] Cooperative

The power of human connections[®]



H-D ELECTRIC COOPERATIVE, INC.
BYLAWS
As Amended and Presented to the Membership
for Approval on April 18, 2015

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BYLAWS OF H-D ELECTRIC COOPERATIVE, INC.

As Amended April 18, 2015

ARTICLE I MEMBERSHIP

SECTION 1. Eligibility. Any natural person, firm, association, corporation, business, trust, partnership, Federal agency, State or political subdivision thereof, or any body politic (each hereinafter referred to as "person," or "applicant," shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by applicant, to receive electric service from, H-D Electric Cooperative, Inc. hereinafter called the "Cooperative"). No person shall hold more than one membership in the Cooperative.

SECTION 2. Application for Membership; Renewal of Prior Application. Application for membership -- wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative's Articles of Incorporation and Conversion, and Bylaws, and all rules, regulations and rate schedules established pursuant thereto, as all the same then exist or may thereafter be duly adopted or amended (the obligations embraced by such agreement being hereinafter called "membership obligations") -- shall be made in writing on such form as is provided therefor by the Cooperative. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefor by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 3 herein (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), which fee (and such service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, if any) shall be refunded in the event the application is by Board resolution denied. Any former member of the Cooperative may, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at the South Dakota legal rate on judgments in effect when such account first became overdue, compounded annually (together with any service security deposit, service connection deposit or fee, facilities, extension deposit, or contribution in aid of construction that may be required by the Cooperative, renew and reactivate any prior application for

membership to the same effect as though the application had been newly made on the date of such payment.

SECTION 3. Membership Fee; Service Security and Facilities Extension Deposit- Contribution in Aid of Construction. The membership fee shall be fixed from time to time by the Board of Directors. The membership fee (together with any service security deposit, service connection deposit or fee, facilities extension deposit, contribution in aid of construction or any combination thereof, if required by the cooperative) shall entitle the member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative (together with a service security deposit, a facilities extension deposit or a contribution in aid of construction or any combination thereof, if required by the Cooperative), shall be paid by the member for each additional service connection requested by applicant.

SECTION 4. Joint Membership. A member may apply at any time for conversion to a joint membership (limited to two persons only) subject to compliance with the requirements set forth in Section 1 of this Article. The term joint membership shall be deemed to be joint tenants with full rights of survivorship as authorized by the laws of this state, except as restricted herein, as limited to two persons only. Any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. For joint membership the following rules shall apply:

- (a) the presence at a meeting of any joint member shall be regarded as the presence of one member, and of constituting a joint waiver of notice of the meeting;
- (b) the vote of any joint members shall constitute one vote; no split vote shall be permitted;
- (c) if there is any disagreement between joint members as to who is entitled to vote for the joint membership, if parties are not able to reach an agreement as to how to determine who should vote, the president of the board may choose any reasonable method of chance to determine who shall vote;
- (d) a waiver of notice signed by any joint member shall constitute a joint waiver;
- (e) notice to any joint member shall constitute notice to all joint members;
- (f) expulsion or withdrawal of any joint member shall terminate the joint membership;
- (g) either joint member, but not both, may be elected or appointed as an officer or director, subject to the qualifications for such office as stated in these Bylaws; and;

- (h) the joint member continuing to receive electric service shall be considered as an individual member upon notification of death, divorce or legal separation, or legal conclusion of the relationship of those named in a joint membership.

SECTION 5. Acceptance into Membership. Upon complying with the requirements set forth in Section 2 herein, any applicant shall automatically become a member on the date of the connection for electric service; PROVIDED, that the Board of Directors may by resolution deny an application and refuse to extend service upon its determination that the applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application should be denied for other good cause; PROVIDED FURTHER, that any person whose application, for sixty (60) days or longer, has been submitted to but not approved by the Board of Directors may, by filing written request therefor with the Cooperative at least thirty (30) days prior to the next meeting of the members, have the application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

SECTION 6. Purchase of Electric Power and Energy; Power Production by Member; Application of Payments to All Accounts. The Cooperative shall make all reasonable efforts to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so 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 purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to the membership, unless and except to the extent that the Board of Directors may in writing waive such requirement, and shall pay therefor at the times, and in accordance with the rules, regulations, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 2 herein. 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 the member to the Cooperative as and when they become due and

payable. When the member has more than one service connection from the Cooperative, any payment by the member for service from the Cooperative shall be deemed to be allocated and credited on a prorata basis to the member's outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and proration.

SECTION 7. Excess Payments to be credited as Member-furnished Capital. All amounts paid for electric service in excess of the cost thereof shall be furnished by members as capital, and each member shall be credited with the capital so furnished as provided in Article IX of these Bylaws.

SECTION 8. Wiring of Premises- Responsibility Therefor; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification. Each member shall cause all premises receiving electric service pursuant to the membership to become and to remain wired in accordance with the specifications of the South Dakota Electrical Commission, the National Electric Code, any applicable state code or local government ordinances, and of the Cooperative. Where different specifications have variant standards, the more exacting shall be complied with. Each member shall be responsible for -- and shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of -- such premises and all wiring and apparatuses connected thereto or used thereon. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use the member's best efforts to prevent others from so doing. Each member shall also provide such protective devices to the member's premises, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such

facilities are interfered with, impaired in their operation or damage by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenue resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery.

SECTION 9. Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Programs. Each member shall, upon being requested so to do by the Cooperative, execute and deliver to the Cooperative grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the cooperative shall require for the furnishing of electric service to the member or other members or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities. Each member shall participate in any required program and comply with related rates and services rules and regulations that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

ARTICLE II MEMBERSHIP SUSPENSION AND TERMINATION

SECTION 1. Suspension; Reinstatement. Upon the failure, after the expiration of the initial time limit prescribed either in a specific notice to the member or in the Cooperative's generally publicized applicable rules and regulations, to pay any amounts due the Cooperative or to cease any other noncompliance with this membership obligation, a member's membership shall automatically be suspended; and the member shall not during such suspension be entitled to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative including any additional charges required for such reinstatement, and/or cessation of any other noncompliance with the membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the

membership, in which event the member shall thereafter be entitled to vote at the meetings of the Cooperative's members.

SECTION 2. Termination by Expulsion; Renewed Membership. Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 1 herein, the member may, without further notice, but only after due hearing if such is requested by the member, be expelled by resolution of the Board of Directors at any subsequently held regular or special meeting of the Board. Any person so expelled may, by delivering written notice to that effect to the Cooperative at least ten (10) days prior to the next meeting of the members, appeal to and be present and heard at such meeting, which may vote approval of such expulsion or disapproval thereof, in which latter event such person's membership shall be reinstated retroactively to the date of the expulsion. After any finally effective expulsion of a member, the person or entity, as referred to in Article I, Section I, may not again become a member except upon new application therefore duly approved as provided in Article I, Section 5. The Board of Directors, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all the membership obligations.

SECTION 3. Termination by Withdrawal or Resignation A member may withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to or, with the approval of the Board of Directors, resigning the membership in favor of a new applicant who also shall own or directly occupy or use all premises being furnished electric service pursuant to the membership, or (b) except when the Board of Directors specifically waives such condition, abandoning totally and permanently the use of central station electric service on such premises.

SECTION 4. Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners. Except as provided in Section 6 herein, the death of an individual human member shall automatically terminate the membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership: PROVIDED, that upon the dissolution for any reason of a partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly to occupy or use the premises being furnished electric service

pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners; PROVIDED FURTHER, that neither a withdrawing partner nor the estate shall be released from any debts then due the Cooperative.

SECTION 5. Effect of Termination. Upon the termination in any manner of a person's membership, the member or the member's estate, as the case may be shall be entitled to refund of the membership fee (and to the service security deposit, if any, theretofore paid the Cooperative, less any amounts due the Cooperative; but neither the member nor the member's estate, as the case may be, shall be released from any debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or expulsion of a member, as provided for in Sections 1 and 2 herein, such suspension or expulsion shall not, unless the Board of Directors shall expressly so elect, constitute such release of such person from the membership obligations as to entitle the member to purchase from any other person any central station electric power and energy for use at the premises to which such service has theretofore been furnished by the Cooperative pursuant to such membership.

SECTION 6. Effect of Death, Legal Separation or Divorce upon a Joint Membership. Upon the death of either member of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint; PROVIDED, that the estate of the deceased member shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the member who continues directly to occupy or use the premises covered by such membership in the same manner and to the same effect as though such membership had never been joint; PROVIDED, that the other member shall not be released from any debts due the Cooperative.

SECTION 7. Board Acknowledgement of Membership Termination; Acceptance of Members Retroactively. Upon the termination of a person's membership for any reason, the Board of Directors, as soon as practicable after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination, effective as of the date on which the Cooperative ceased furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for, and the Board of Directors

approves, membership retroactively to the date on which such person first began receiving such service, in which event the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly.

ARTICLE III 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 proportion which the aggregated patronage of each bears to the total patronage of all members during the ten 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 IV MEETINGS OF MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the members shall be held on such date and hour of the day as shall be fixed by the Board of Directors at such place in the Counties of Deuel or Hamlin, State of South Dakota, and shall be designated in the Notice of Meeting, for the purpose of electing directors, passing upon reports for the previous fiscal year, and transacting such other business as may come before this 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 members may be called by resolution of the board of directors, by any three directors, by the President, or by ten percentum 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 County of Deuel or Hamlin, State of South Dakota specified in the notice of the special meeting.

SECTION 3. Member Action by Mail Ballot.

Except for election of Directors and unless otherwise provided by the Articles of Incorporation, the Articles of Conversion or these Bylaws and in a manner determined by the board consistent with this Bylaw members may act as provided in this Bylaw.

A. Member Mail Ballot. Except for election of Directors and in conjunction with a Member Meeting, Members may vote by mail on any matter, except election of a Director, as provided in these Bylaws by the Cooperative delivering a written ballot (“Member Mail Ballot”) to all Members entitled to vote on the matter and/or from whom the Cooperative received a written request for a Member Mail Ballot at least ten (10) days prior to the Member Meeting.

Members submitting a completed Member Mail Ballot may not vote at the Member meeting specified in the Member Mail Ballot regarding any matter described in the Member Mail Ballot. Each completed Member Mail Ballot received by the Cooperative prior to the Members Meeting shall count as a member present and voting at a meeting for any quorum requirements of these By-laws.

The cooperative shall count all properly completed Member Mail Ballots received on, or before, the time and date specified in the Member Mail Ballot as the Member’s vote.

B. Ballot. Each Member Mail Ballot (“Ballot”) must:

1. Set forth and describe each proposed action and include the language of any motion, resolution, Bylaw Amendment, or other written statement, upon which a member is asked to vote;
2. State the date of any Member Meeting at which the Members are scheduled to vote on the matter;
3. Provide an opportunity to vote for or against, or to abstain from voting on, each proposed action;
4. Instruct the Member how to complete and return the completed Ballot; and
5. State the time and date by which the Cooperative must receive the completed Ballot.

Unless otherwise provided by the Board, a Member may not revoke a completed Ballot received by the Cooperative. A Member’s failure to receive a Ballot does not affect any action taken by Member Mail Ballot.

SECTION 4. 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 not less than ten days before the date of the meeting, either personally or by mail, by or at the directions of the Secretary or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the member’s 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 5. Quorum. As long as the total number of members does not exceed one thousand, five percentum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed one thousand, fifty 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 6. Member Voting. Each member who is not in a status of suspension, as provided for in Article II Section 1, upon presenting identification or proof of cooperative membership as reasonably required by the cooperative, and regardless of the value or quantity of cooperative services used, received or purchased may cast one vote on any matter for which the member is entitled to vote. Individuals voting on behalf of non-natural person members must present evidence satisfactory to the cooperative that the individual is duly authorized to vote for the non-natural person member. The spouse of a member may vote on behalf of the member, unless the member has indicated otherwise.

Unless otherwise provided by Law, the Articles of Incorporation, the Articles of Conversion, or these Bylaws, Members approve a matter and act if:

- 1) A member quorum is present; and
- 2) A majority of members present in person or voting by Member Mail Ballot, entitled to vote on a matter and voting on the matter, vote in favor of the matter; and
- 3) The votes cast for the matter equal or exceed a majority of the applicable member quorum.

At any member meeting, the individual presiding over the member vote may require the members to vote by voice. If the individual presiding over the member vote determines, in good faith, that a written vote is required to determine the vote results or because of voting by Member Mail Ballot, then the members shall vote by written ballot.

Members may not accumulate votes. Agreements signed by members providing the manner in which the member shall vote are not valid.

SECTION 7. Credentials and Election Committee.

The Board of Directors shall, at least ten 10 days before any meeting of the members, appoint a Credentials and Election Committee. The Committee shall consist of an uneven number of members not less than three nor more than nine who are not members of the Nominating Committee or existing Cooperative employees, agents, officers, directors, or known candidates for director, and who are not close relative as hereinafter defined or members of the same household of members of the Nominating Committee or existing Cooperative employees, agents, officers, directors, or known candidates for director. In appointing the Committee, the Board shall have regard for the equitable representation of the several areas served by the Cooperative. The Committee shall elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members in person, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of directors including but not limited to the validity of petitions of nomination or the qualifications of candidates and the regularity of the nomination and election of directors, and to pass upon any protest or objection filed with respect to any election or to conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following the adjournment of, the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protestors or objectors), who may be heard in person, by counsel, or both, and any opposing evidence; and the Committee by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Committee may not affirmatively act on any matter unless a majority of the Committee is present. The Committee's decision

(as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final.

SECTION 8. Order of Business. The order of business at the annual meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (a) Report on the number of members present in person in order to determine the existence of a quorum;
- (b) Reading of the notice of the meeting and proof of the due giving thereof, or of the waiver or waivers of notice of the meeting, as the same may be
- © Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- (d) Presentation and consideration of reports of officers, directors and committees;
- (e) Election of directors;
- (f) Unfinished business;
- (g) New business;
- (h) Adjournment;

Notwithstanding the foregoing, the Board of Directors, or the members themselves may from time to time establish a different order of business for the purpose of assuring the earlier consideration of and action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business: PROVIDED, that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

**ARTICLE V
DIRECTORS**

SECTION 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of nine directors which shall exercise all of the powers of the Cooperative except such as are by law, the articles of conversion, or these by-laws conferred upon or reserved to the members.

SECTION 2. Election. At each annual meeting of the members, directors shall be elected by secret written ballot by the members and, except as provided in Section 4 of this Article, from among those members who are natural persons: PROVIDED, that, when the number of nominees does not exceed the number of directors to be elected from a particular Directorate District, and if there is no objection, secret written balloting may be dispensed with in respect of that particular election and voting may be conducted in any other proper manner. Directors shall be elected by a plurality of the votes cast unless the members in advance of any

balloting resolve that a majority of the votes cast shall be required to elect, and this Bylaw provision shall be drawn to the attention of the members and explained to them prior to any balloting.

SECTION 3. Tenure. Directors shall be so nominated and elected that one director from or with respect to each of Directorate Nos. 3, 4, and 9 shall be elected for three year terms at an annual member meeting; one director from or with respect to each of Directorate Districts Nos. 5, 7, and 8 shall be elected for three year terms at the next succeeding annual member meeting; and one director from or with respect to each of Directorate Districts Nos. 1, 2, and 6 shall be elected for three-year terms at the next succeeding annual member meeting, and so forth. Upon their election, directors shall, subject to the provisions of these Bylaws 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 Bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special or the next annual meeting of the members. Failure of an election for a given year shall allow the incumbents whose directorships would have been voted on to hold over only until the next member meeting at which a quorum is present.

SECTION 4. Qualifications. No person shall be eligible to become or remain a director of the Cooperative who is a close relative of an incumbent director or of an employee of the Cooperative, or is not a member in good standing of the Cooperative and receiving service therefrom at the primary residential abode; PROVIDED, that the operating or chief executive of any member which is not a natural person, such as a corporation, church, etc. or its designee, shall, notwithstanding that the member does not receive service from the Cooperative at the member's primary residential abode, be eligible to become a director, from the Directorate District in which such member is located, if the member or such designee (1) is in substantial permanent occupancy, direction or use of the premises served by -the Cooperative, and (2) is a permanent and year-round resident within or in close proximity to an area served by the Cooperative; BUT PROVIDED FURTHER, that no more than one (1) such person may serve on the Board of Directors at the same time. No person shall be eligible to become or remain a director of, or to hold any other position of trust in the cooperative if that person does not have the legal capacity to enter into a binding contract or 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, among others, the members of 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 Bylaws, 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. Upon the establishment of the fact that any person being considered for, or already holding a directorship or other position of trust in the Cooperative lacks eligibility under this Section, it shall be the duty of the Board of Directors to withhold each position from such person, or to cause the person to be removed therefrom, as the case may be. Nothing contained in this Section shall, or shall be construed to, effect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors, unless such action is taken with respect to a matter which is affected by the provision of this Section and in which one or more of the directors have an interest adverse to that of the Cooperative.

SECTION 5. Petitions for Candidacy. Elections for positions on the Board of Directors are held at the annual meeting of members. An individual may become a candidate for a board position by meeting the Qualifications of Section 4, of this Article V, and by submitting to the Cooperative a written petition of candidacy signed by at least fifteen (15) members not less than 25 days and not more than 75 days prior to the date of the annual meeting of members. The secretary of the Cooperative shall verify that only members of the Cooperative have signed the candidate petitions. Any petition so filed shall designate the name of the nominee, the term for which nominated and the district to be served. Specific procedures and instructions will be furnished to any interested member upon request. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of directors.

SECTION 6. Directorate Districts. The territory served by the Cooperative shall be divided into nine Directorate Districts. The districts herein provided for shall comprise the following territories: District No. 1 -Brandtford Township, Oxford Township and Opdahl Township, Hamlin County, South Dakota and Kampeska Township, Codington County, South Dakota; District No. 2 - Hayti Township, Florence Township and Castlewood Township, Hamlin County, South Dakota; District No. 3 - Hamlin Township and Dempster Township, Hamlin County, South Dakota, and Hidewood

Township, Deuel County, South Dakota; District No. 4 - Portland Township, Rome Township, Goodwin Township and Havana Township, Deuel County, South Dakota, Kranzburg Township, Codington County, South Dakota, and Georgia Township, Grant County, South Dakota; District No. 5 Altamont, Altamont Township, Clear Lake Township and Brandt Township, Deuel County, South Dakota; District No. 6 - Lowe Township, Antelope Valley Township, Glenwood Township, and Herrick Township, Deuel County, South Dakota, Adams Township, Grant County, South Dakota and Mehurin Township, Lac Qui Parle County, Minnesota; District No. 7 - Norden Township and Scandinavia Township, Deuel County, South Dakota, Oak Lake Township and Hendricks Township, Brookings County, South Dakota and Fortier Township, Yellow Medicine County, Minnesota; District No. 8 - Blom Township, Grange Township, Deuel County, South Dakota, Estelline Township, Hamlin County, South Dakota and Argo Township, Eureka Township and Preston Township, Brookings County, South Dakota; District No. 9 - Norden Township, Cleveland Township, Dixon Township and Garfield Township, Hamlin County, South Dakota, Laketon Township, Brookings County, South Dakota and Pleasant Township, Clark County, South Dakota. Every year the Board of Directors shall review the Districts and directorates and, if determining that the Districts should be altered as to boundaries or number or that the number of District directors should be increased or reduced, so as to correct any substantially inequitable factors regarding the residences of members, the number of geographic location of Districts or the number of such directors, shall appropriately amend these Bylaws accordingly and may, after such amendments become effective, appoint any additional directors, if so provided for by such amendments, and may appropriately fix their respective initial terms, not to exceed three years. The Board of Directors shall cause all such amendments and the names, addressees, and initial terms of any such newly appointed additional directors to be noticed in writing to the members not less than ninety (90) days prior to the date of the next annual member meeting. After the date of the notice of amendments, these Bylaws shall have been effectively amended accordingly, except that such Districts and/or the number of District directors may also be changed by amendment of these Bylaws by the members from time to time: PROVIDED, that any change so made by action of the Board shall be in full force and effect until at least the completion of the election of directors at the annual meeting of the members first thereafter held; AND FURTHER PROVIDED, that no such amendment shall become effective so as to cause the vacancy of any director's office prior to the time the person's term would

normally expire, unless the person consents thereto in writing.

SECTION 7. Voting for Directors; Validity of Board Action.

In the election of directors, each member shall be entitled to cast the number of votes (but not cumulatively which corresponds to the total number of directors to be elected, but no member may vote for more nominees than the number of directors that are to be elected from or with respect to any particular Directorate District. Ballots marked in violation of the foregoing restriction with respect to one or more Directorate Districts shall be invalid and shall not be counted with respect to such District or Districts. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of directors.

SECTION 8. Removal of Director by Member.

Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) a written and signed statement together with a petition signed by not less than ten (10%) percent of the total membership of the Cooperative, which petition calls for a special member meeting, the stated purpose of which shall be to hear and act on such charges and, if one or more directors are recalled, to elect their successor(s) and specifies the place, time and date thereof not less than forty (40) days after filing of such petition, or which requests that the matter be acted on at the subsequent annual member meeting if such meeting will be held no sooner than forty (40) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(s) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s) is (are) being made. The petition shall be signed by each member in the same name as the member is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than ten (10) days prior to the member meeting at which the matter will be acted upon: PROVIDED, that the notice shall set forth only twenty (20) of the names, in alphabetical order, of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the same director(s). Such director(s) shall be informed in writing of the charges after they have been validly filed and at least twenty (20) days prior to the

meeting of the members at which the charge(s) are to be considered, and shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of removal of such director(s) shall, separately for each if more than one has been charged be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor: PROVIDED, that the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against the person shall have been presented during the meeting through oral statements, documents or otherwise. A newly elected director shall be from or with respect to the same Directorate District as was the director whose office the elected director succeeds and shall serve the unexpired portion of the removed director's term.

SECTION 9. 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 10. Compensation; Expenses. Directors shall, as determined by resolution of the Board of Directors, receive, on a per diem basis, fixed fee, which may include insurance benefits, for attending meetings of the Board of Directors. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expense actually, necessarily and reasonably incurred in attending such meetings and performing such business. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director 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 Board of Directors upon their certification of such as an emergency measure: PROVIDED, that 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 Board of Directors.

SECTION 11. Personal Liability. To the fullest extent permitted by the South Dakota Codified Law as the same exists as may hereafter be amended, a director of this Cooperative shall not be personally liable to the Cooperative, its members or stockholders for monetary damages for breach of fiduciary duty as a director.

SECTION 12. Close Relative Defined. As used in these Bylaws, close relative means a person who, by blood or in-law, including half step, step and adopted kin, a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the principal.

ARTICLE VI MEETINGS OF DIRECTORS

SECTION 1. 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 in Hamlin and Deuel County, South Dakota, as the board of directors may provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. Special Meeting. Special meetings of the board of directors may be called by the President or by any three directors and it shall thereupon be the duty of the Secretary to called notice of such meeting to be given as hereinafter provided. The President or the directors calling the meeting shall fix the time and place 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 days previous, unless by unanimous consent of the Board the five days is agreed to be waived. At the direction of the secretary, or upon a default in duty by secretary, by the president or the directors calling a meeting written notice shall be given personally, by mail, by fax, by email, by texting, by Facebook, by posting on the Cooperative website or other electronic transmission acceptable to the directors, at the direction of the President, or the Secretary, or the persons calling the meeting, to each director. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at the Director's address as it appears on the records of the Cooperative, with postage prepaid. If the notice is sent by fax, such notice shall be delivered when sent by the fax machine utilized by

the sender, to the directors fax number as it appears on the records of the Cooperative. If notice is sent by email, such notice shall be deemed delivered when sent by the computer utilized by the sender to the directors email address as it appears on the record of the Cooperative. If the notice is sent by text, such notice shall be deemed delivered when sent to the director's cell telephone number as it appears on the records of the Cooperative. If sent by Facebook transmission, such notice shall be deemed delivered when entered on Facebook with notice to friends of the Cooperative, Facebook account. If sent by publication on the website or other electronic communication the notice shall deemed delivered on entry on the electric communication acceptable to the director.

SECTION 4. Quorum. A majority of the board of directors shall constitute a quorum, that if less than such majority of the directors is present at said meeting, a majority of the directors 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 VII OFFICERS

SECTION 1. 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 officers of Secretary and of Treasurer may be held by the same person.

SECTION 2. Election and Term of Office. The officers shall be elected by ballot, annually by and from the board of 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 a 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. Any officer, agent or employee elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served.

SECTION 4. President. The President shall

- (a) Be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the board of directors, shall preside at all meetings of the members and 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 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 5. Vice President. In the absence of the President, or in the event of the President's 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 the Vice President by the Board of Directors.

SECTION 6. 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 by-laws 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 by-laws;
- (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, Articles of Conversion, and By Laws of the Cooperative containing 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 to the Secretary by the board.

SECTION 7. Treasurer. The treasurer shall be responsible for:

- (a) Custody of all funds and securities of the Cooperative;

(b) The receipts of and the issuance of receipts for all money due and payable to the Cooperative and for the deposit of all such moneys in the name of the Cooperative in such bank or banks, or in such financial securities or investments as shall be selected by the Board of Directors, and;

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

SECTION 8. Delegation of Secretary's and Treasurer's Responsibilities. Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer herein before provided in Article VII, Sections 6 and 7, herein, 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 each such officer's such 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 any such officer, that officer as such shall be relieved from such duties, responsibilities and authorities.

SECTION 9. General Manager; Chief Executive Officer. The Board of Directors may appoint a General Manager, who may be, but who shall not be required to be, a member of the Cooperative, and who also may be designated Chief Executive Officer (CEO). Such officer shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to time vest in the position.

SECTION 10. Bonds of Officers. The treasurer, and any other officer or agent of the Cooperative charged with the 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 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 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 by-laws 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 year. Such reports

shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VIII INDEMNIFICATION

SECTION 1. Indemnification of Officers, Directors, Employees and Agents; Insurance.

(a) Each director, officer, employee, or person acting as agent for or on behalf of the cooperative now or hereafter serving as such, shall be indemnified by the Cooperative against any and all claims and liabilities to which the person has or shall become subject by reason of serving or having served as such director, officer, employee or agent for said cooperative, or by reason of any action alleged to have been taken, omitted, or neglected by the person as such director, officer, employee, or agent and the Cooperative shall reimburse each such person for all legal expenses reasonably incurred by the person in connection with any claim or liability arising out of the person own willful misconduct or gross negligence.

(b) The amount paid to any such person by way of indemnification shall not exceed the actual, reasonable and necessary expenses incurred in connection with the matter involved, such additional amount as may be fixed by a committee of not less than five persons nor more than seven persons selected by the board of directors, who shall be members of the Cooperative but not officers or directors, employees or persons performing services for the Cooperative, and any determination so made shall be prima facie evidence of the reasonableness of the amount fixed or binding on the indemnified officer, director, employee or agent. The right of indemnification herein above provided for shall not be exclusive of any rights to which any director, officer, employee or agent may otherwise be entitled by law.

(c) 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 the person or incurred by the person in any such capacity, or arising out of the person's status as such whether or not the Cooperative would have the power to indemnify the person against such liability under the provisions of this section.

ARTICLE IX NONPROFIT OPERATION

SECTION 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative nonprofit 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 will, through their patronage, furnish capital for the Cooperative. The Board of Directors of the Cooperative before allocating and crediting margins to its patrons may, by resolution, provide for the adoption of margin stabilization plans, revenue or expense deferral plans or other plans that provide for the retention of revenues and receipts in excess of those needed to meet current losses and expenses. Reasonable reserves may be created by the Cooperative for the payment of the incremental cost of electric power and energy purchased by the Cooperative for resale to its patrons. Any amounts received by the Cooperative in excess of the funds necessary to provide for the reserves and plans as herein provided and in excess of operating costs and expenses shall be accounted for by the Cooperative on a patronage basis to all its patrons. All such amounts are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each such patron all such amounts in excess of those funds needed by the Cooperative for the purposes stated herein. 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 to 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 the patron's account; PROVIDED, that individual notices of such amounts furnished by each patron may not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for the patron the specific amount of capital so credited to the patron. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to

patrons' accounts may be retired in full or in part. Notwithstanding any other provision of these Bylaws, the Board shall determine the method of allocation, basis, priority and order of retirement, if any, for amounts furnished as patronage capital.

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

Notwithstanding any other provisions of these Bylaws, the Board shall, at its discretion, have the power at any time upon the death of any patron, who was a natural person, if the legal representative of the person's estate or the heirs, beneficiaries or assignees 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 such capital immediately upon such terms and conditions as the Board, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon. Similarly, the Board may, at its discretion, have the power at any time upon a patron relinquishing service, if former patron 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 such capital immediately upon such terms and conditions as the Board, acting under policies of general application to situations of like kind, and such patron, shall agree upon. Any discounted amounts of the prepayment may be used or retained as permanent, unallocated equity or equitably allocated. PROVIDED, however that the financial conditions of the Cooperative will not be impaired thereby.

The Cooperative shall have a first lien upon all certificates of interests, membership, patronage capital, or other interests standing on its books for all indebtedness of the respective holders or owners thereof to the Cooperative.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative.

SECTION 3. Unclaimed Patronage Capital Assigned.

(a) 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 the patron by check mailed to the patron at the last address furnished by the patron to the Cooperative, such failure shall be and constitutes an irrevocable assignment and gift by such member of such capital credit or other payments to the Cooperative.

(b). 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 the patron by the Cooperative at the last address furnished by the patron to the Cooperative.

(c) 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 therefore and only after the further expiration of six (6) months following the giving of a Notice by mail or publication that unless such payment is claimed within six (6) months, such gift to the Cooperative shall become effective.

(d). In the event the address for the member on the book of the cooperative are known by the secretary to be incorrect, then notice shall be published according to appropriate State Law.

(e). 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 of publication of such Notice.

The patrons of the Cooperative by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation, Articles of Conversion, and By Laws 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 by-laws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

SECTION 4. 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, may be allocated annually and returned to the patrons of this Cooperative, or may be used by the Cooperative as permanent, non-allocated capital. In addition, all amounts allocated to the Cooperative from other organizations that furnish services, supplies or products, other than electric energy, to the Cooperative may be allocated annually and returned to the patrons of this Cooperative, or may be used by the Cooperative as permanent, non-allocated capital. The Board of Directors shall

determine the method, basis, priority and order of retirement, if any, for all such amounts heretofore or hereafter allocated to the patrons of this Cooperative.

SECTION 5. Assessment of Subscription Fee.

The board of directors shall have the power to assess and charge against the capital credit account of any patron, member or non-member, a subscription fee for an informational newsletter or publication published either by the Cooperative alone or in cooperation with another organization which may be designated by the board as an official Cooperative publication for the purpose of providing information and notices to the membership. The fee assessed shall be based upon the costs of production and distribution.

SECTION 6. Capital Credit Setoff.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, together with interest thereon at the South Dakota legal rate on judgements in effect when such amount became overdue, compounded annually.

**ARTICLE X
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 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 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 enter into a compact with other cooperatives to provide a method to retain in the integrated system the electric utility assets of any member that may propose to transfer its electric utility assets other than in the normal course of business while allowing that member to receive the best price it can negotiate for its assets, and to authorize the execution and delivery of a mortgage or mortgages, or 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 a the board of directors shall determine, to secure any indebtedness of the Cooperative to United States of America or any instrumentality or agency thereof, or any Cooperative

or organization organized for the purpose of providing electrical energy to electric cooperatives, or any cooperative organized for the purpose of providing financing to electric cooperatives or any organization organized for the purpose of furthering the purposes of the Rural Electrification Act, provided further that the board of directors may upon authorization of a majority of the members thereof, will, lease, or otherwise dispose of all or a substantial portion of its property to another municipality or other body public or subdivision thereof.

ARTICLE XI 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 (name of the State)".

ARTICLE XII 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, and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 2. Checks, Drafts, Etc. All checks, drafts, and other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer, or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the board of directors.

SECTION 3. 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, or in such financial securities or institutions as the board of directors may select.

ARTICLE XIII 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 XIV 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 two-thirds of the members of its board of directors 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 on a nonprofit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of RUS, of any 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 by-laws, 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 members 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 grounds that the meeting has not been lawfully called or convened.

SECTION 3. Policies, Rules and Regulations. The board of directors shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the article of incorporation, articles of conversion or these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative. Where the term "rules and regulations" appears in these bylaws, it shall also include policies. At all meetings of the members as well as the Board of Directors of the Cooperative, where no other procedure is established by these bylaws, the parliamentary procedure shall be governed by Roberts Rules of Order.

SECTION 4. Accounting system and Report. The board 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 regulatory body shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service 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. A report of such audit shall be submitted to the members at the net following year's annual meeting.

SECTION 5. Area Coverage. The board of directors shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

**ARTICLE XV
AMENDMENTS**

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