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*BYLAWS OF*

*MOUNTRAIL- WILLIAMS  
ELECTRIC  
COOPERATIVE*

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## ARTICLE I.

### Membership

**SECTION 1. Membership.** Any adult person, and any partnership, incorporated or unincorporated association, corporation, or body politic shall become a member of Mountrail- Williams Electric Cooperative (hereinafter call "Cooperative") upon purchasing electric service from this Cooperative. In purchasing electric service from this Cooperative, each member shall agree to comply with and be bound by the Articles of Incorporation and the Bylaws of the Cooperative and any reasonable rules and regulations adopted by the Board of Directors. No member may hold more than one membership in this Cooperative, and no membership shall be transferable, except as provided in these Bylaws.

**SECTION 2. Evidence of Membership.** Membership in this Cooperative shall be evidenced by purchase of and payment for electric service from the Cooperative.

**SECTION 3. Joint Membership.** Unless a purchaser of electric service specifies in writing that it is to be a single membership, (or unless within thirty days after adoption of this Bylaw an existing member specifies in writing that his membership is to continue to be a single membership), all present and future memberships in this Cooperative by a married person shall be deemed to be a joint membership by spouses, in joint tenancy, with right to survivorship. A joint membership may be converted to an individual membership at any time upon the written request by both joint members. The term "member" as used in these Bylaws shall be deemed to include two legally married individuals 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 here in after specific action by or in respect to 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 and shall have the effect of constituting joint waiver of notice of the meeting;
- (b) The vote of either separately, or both jointly shall constitute a 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 of such office.

**SECTION 4. Changes in a Joint Membership.** Upon the death of either spouse 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 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 one who continues to purchase electric service from the Cooperative at the same place of service, in the same manner and to the same effect as though such membership had never been joint; provided, that the other spouse shall not be released from any debts due the Cooperative.

**SECTION 5. Purchase of Electric Energy.** Each member shall, as soon as electric energy shall be available, purchase from the Cooperative electric energy used on the premises specified in his application of membership, and shall pay therefore 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. 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. 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 by 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 by him to the Cooperative as and when the same shall become due and payable.

**SECTION 6. Termination of Membership.** 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 shall have refused or failed to comply with any of the provisions of the Articles of Incorporation Bylaws or rules or regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Secretary of the Cooperative that such refusal or failure makes him liable to expulsion and such refusal or failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board of Directors or by vote of the members at any Annual or Special Meeting. Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

Membership shall terminate automatically upon non-patronage of any member.

## ARTICLE II.

### Rights and Liabilities of Members

**SECTION 1. Property interests of members.** Upon dissolution after all debts and liabilities of the Cooperative shall have been paid and 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 member bears to the total patronage of all such members, unless otherwise provided by law.

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

## ARTICLE III.

### Meetings of Members

**SECTION 1. Annual Meeting.** The Annual Meeting of the members shall be held between March 1 and November 1 of each year at the call of the board at such place in the County of Williams or Mountrail, State of North Dakota, as shall be designated in the notice of the meeting for the purposes and business as may come before the meeting. If the day fixed for the Annual Meeting shall fall on a Sunday or legal holiday, such meeting shall be held on the next succeeding business day. The Board of Directors may, from time to time in its sole discretion, determine that it is in the best interest of members to allow or require members to participate in an annual meeting by telephonic or electronic media which permits members not physically present at the meeting to hear, be heard, and participate in the business brought before the members during the course of the meeting.

Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

**SECTION 2. Special Meetings.** Special member meetings may be called by the Chairperson, Board, or members having ten percent of the votes entitled to be cast at such meeting, 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 membership may be held at any place within the County of Williams or Mountrail, State of North 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 other than that listed in Section 7 of this article is to be transacted, the purpose

or purposes for which the meeting is called, shall be delivered not less than ten days nor more than thirty days before the date of the meeting, either personally, by mail, or by electronic means of communication to any Member who has authorized electronic delivery; by or at the direction 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 his address as it appears on the records of the Cooperative, with postage thereon prepaid, or if delivered electronically, when sent by electronic means. The failure of any member to receive notice of an Annual or Special Meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

**SECTION 4. Quorum.** A quorum at a Members' Meeting shall be 10 percent of the first 100 members plus 5 percent of additional members present in person. A quorum shall never be more than 50 members, nor less than 5 members, or a majority of all members, whichever is smaller. If telephonic or electronic media format, either in whole or in part, is authorized for the Member Meeting, the quorum requirements for a Member Meeting will be deemed met so long as, at least 50 members are present in person or by telephone or electronic means, or through a combination thereof. If less than a quorum is present in person, by telephone, or by electronic means, or through a combination of such attendance, at any meeting, a majority of those present in person or by telephone or electronic means, or through a combination thereof, may adjourn the meeting from time to time without further notice; provided that the Secretary shall notify any absent members of the date, time and place of such adjourned meeting. Members represented by submitted signed paper or electronic absentee ballots may be counted in computing a quorum only on those questions, motions or resolutions as to which an absentee vote is authorized and submitted.

**SECTION 5. Voting.** Each member shall be entitled to only one vote. All questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, the Articles of Incorporation, or these by-laws. An absent member, or a member present by telephone or electronic means only, may submit a signed paper or electronic ballot if he has been previously notified in writing of the exact motion or resolution upon which the vote is taken.

**SECTION 6. Notice.** Whenever notice is required by this chapter to be given to any person, such notice shall be given either personally, by mail, or by electronic means of communication, if authorized. If by mail, such notice is given when deposited in the United States mail with postage prepaid thereon, addressed to such person at his address as it appears on the records of the Cooperative. If by electronic means of communication, such notice is given when electronically transmitted. A signed waiver is equivalent to personal notice to the person so signing.

**SECTION 7. Order of Business.** The order of business at the Annual Meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows:

1. Report as to members present in order to determine the existence of a quorum.

2. Reading of the notice of the meeting and proof of the due publication of mailing or electronic transmission thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New Business.
8. Adjournment.

## **ARTICLE IV.**

### **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 Incorporation or these Bylaws conferred upon or reserved to the members.

**SECTION 2. Qualifications.**

To become and remain a Director, a Person must comply with the following membership qualifications:

- a) Be a bona fide resident in the area served by the Cooperative and in the precinct within the district which he or she is to represent;
- b) Be a continuous purchaser of residential electric services from the Cooperative for not less than three years prior to nomination;
- c) Is not 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, supplies, or wiring to, among others, the members of the Cooperative;
- d) Is not, and during the three years immediately before becoming a Director, an employee of the Cooperative;
- e) Has the capacity to enter legally binding contracts;
- f) Be a member in good standing of the Cooperative;
- g) Has never been convicted of, or pleaded guilty or nolo contendere to, any criminal act constituting a felony under the law of the jurisdiction in which the conviction, guilty plea, or plea of nolo contendere occurred, which shall be confirmed by a background check.

Upon establishment of the fact that a nominee for director lacks eligibility or a director already holding office in violation of any of the foregoing provisions, it shall immediately become incumbent upon the Board of Directors to remove such director from office.

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

**SECTION 3. Election and Tenure of Office.** The area served by the Cooperative shall be divided into three districts as shown by Section 4 of this Article. At each Annual Meeting of the members, one director from each district shall be elected by ballot for a regular term of three years, or until their successors have been elected and qualified. Members shall vote only for directors from their respective voting district. The candidate receiving the highest number of votes cast for each open seat is elected. A coin flip shall resolve, where necessary, any tie votes. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

**SECTION 4. Voting Districts.** Based on geographic location, number of members, or any other equitable consideration determined by the Board, the Board may adopt, modify and adjust policies which:

- (i) divide the territory served by the Cooperative (“electric Service Area”) into no less than three districts (“Director Districts”), each of which shall be comprised of three separate precincts (“Director Precincts”), with boundaries determined by the Board; and
- (ii) establish the number of Director seats allocated to each Director District and Director Precinct.

Revision of Director Districts. When the Board revises the boundaries of Director Districts or Precincts, increases or decreases the number of Directors elected from a Director District, or from seats not associated with a Director District, the Board may not:

- (i) Lengthen an existing Director’s term; or
- (ii) Shorten any existing Director’s term, unless the affected Director consents in writing.

At the time the Board makes any revision authorized by this provision, the Board may adopt transition provision necessary to retain existing Directors for the remainder of their current terms. Such transitional provisions may include, without limitation, (a) designating one or more existing Directors to serve a newly created or modified Director District they are otherwise qualified to serve for the remainder of their current term, even though the director was not nominated by members who are residents of the newly modified or created seat; (b) delaying the effective date of any newly created seat or modification of district boundaries; or (c) other equitable means consistent with the requirements of subparts (i) and (ii) of this provision.

Not less than one hundred fifty (150) days before the Annual Meeting, the Board shall review Director Districts and Director Precincts, and determine if any additions, revisions or modifications will be made. At least one hundred twenty (120) days before the next Annual Member Meeting, the Cooperative must publish or otherwise notify Members. Director District and Director Precinct revisions are effective on the date the Cooperative issues such notice or such later date as expressly adopted by the Board.

**SECTION 5. Nominations** Every candidate for the office of Director shall, not less than sixty (60) days, nor more than one hundred twenty (120) days before the date of a meeting of the members at which directors are to be elected, present to the Secretary a nominating petition giving the candidates name, post office address, and the district and precinct in which he/she presides. Each candidate must be a member and must possess the qualifications for a director as specified in Article IV, Section 2 of the Bylaws of the Cooperative. Such petition shall contain the names and signatures of not less than fifteen members residing in the district from which he/she is a candidate. Each name on the petition shall be a bona fide member of said cooperative residing within said district. Each signer of a nomination petition shall sign but one petition and shall add his/her address and the date of signing. For purposes of this petition, in cases of a joint membership between two spouses, either may join in the petition and both are not required. If both spouses in a joint membership sign, it shall have the effect of only one signature for purposes of the petition.

If more than two nominations for a single directorship are made by petition, a selection by lot shall be made to determine the order in which nominees shall appear on the ballot.

The nominating petition shall be available at the principal office of the cooperative and available electronically upon request.

If no nominations are received or no candidate is found qualified to serve as a Director for the seats to be filled at the Annual Member Meeting, the Board may publish notice of the fact, and otherwise request additional nominations for the seat or seats for which there is no nominee, and establish new deadlines pertaining to the submission of petitions, credentialing, and nomination of persons otherwise qualified to serve, however, the new deadline established may not be less than thirty days before the date of the meeting of the members at which directors are to be elected. If no nominations of persons otherwise qualified to serve are received by the new deadline, a vacancy on the Board will be created.

A list of all nominations shall be available and posted at the office of the cooperative at least fourteen days before the Annual Meeting election.

A statement of the number of directors to be elected and the names and addresses of the candidates and their districts shall be delivered, either personally, by mail, or by electronic communications, with the notice of the meeting or separately, but at least ten days before the date of the meeting. If by mail, such delivery is given when deposited in the United States mail postage prepaid thereon, addressed to such person at his address as it appears on the records of the Cooperative. If by electronic means of communication, such delivery is given when electronically transmitted.

No individual may serve as a Director whose nomination does not comply with the provisions of this section. Any election to the Board of any Person who does not comply with the qualifications specified in this Article is null and void and will create an immediate vacancy on the Board. The decision of a majority of disinterested Directors is final with respect to any



ambiguities or uncertainties regarding the qualification of any particular candidate to serve, or whether to waive any waivable qualification to serve.

Notwithstanding anything contained in this section, failure to comply with the administrative processes outlined in this section, that are no fault of the candidate, shall not affect in any manner whatsoever the validity of any election of directors.

**SECTION 6. Removal of Directors by Members.** Any member may bring charges against a director by filing such charges in writing with the Secretary, together with a petition signed by at least ten percent of the members and request the removal of such director by reason thereof. The director against whom such charges have been brought shall be informed in writing of the charges at least five days prior to the meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person 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 next regular or special 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 7. Vacancies.** Subject to the provisions of these by-laws with respect to the filling of vacancies caused by the removal of directors by 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 of the director in respect of whom the vacancy occurs.

**SECTION 8. Compensation.** Directors as such shall not receive any salary of their services, but by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at any meetings authorized by the Board of Directors. 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 such payment of compensation shall be specifically authorized by a vote of the members or such payment and amount shall be specifically authorized by the remaining Board of Directors upon the certification of such as an emergency measure.

## **ARTICLE V.**

### **Meetings of Directors**

**SECTION 1. Regular Meetings.** A Regular Meeting of the Board of Directors shall be held without notice other than this Bylaws, 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 North Dakota, as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing time and place thereof. With the approval of the Board in each case, absent Directors may

participate through any means of communication by which all Directors participating in the Board Meeting may simultaneously hear and approximately instantaneously communicate with each other during the Board Meeting. A director participating electronically will be deemed to be present for the purpose of computing a quorum and voting.

**SECTION 2. Special Meetings.** Special Meetings of the Board of Directors may be called by the Chairperson or by any three directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chairperson or the directors calling the meeting shall fix the time and place for the holding of the meeting. Special Meetings, upon proper notice as otherwise provided herein, may also be held via telephone conference call, without regard to the actual location of the Directors at the time of such a telephone conference meeting, if all the Directors consent thereto.

**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 not less than five days previous thereto, either personally, by mail, or by electronic means of communication, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairperson or the directors 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 his address as it appears on the records of the Cooperative, with postage thereon prepaid. If by electronic means of communication, such delivery is given when electronically transmitted. A signed waiver of notice of a Board Meeting is equivalent to a personal notice to the person so signing. Any action which may be taken at a meeting of the Board of Directors may be taken without a meeting if a writing setting forth and approving the action shall be signed by all of the directors entitled to vote on such action. In such cases such consent shall have the same force and effect as if a meeting had been held.

**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 principal officers of the Cooperative shall be a Chairperson, a Vice-Chairperson, a Secretary, and a Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The offices of Secretary and Treasurer may be combined in one person.

**SECTION 2. Election and Term of Office.** The officers shall be elected by

ballot, annually by and from the Board of Directors at a meeting of the Board of Directors held directly after the Annual Meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the board of 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 an officer by filing such charges in writing with the Secretary, together with a petition signed by ten percent of the members, and request the removal of the particular officer by reason thereof. The officer against whom such charges have been brought shall be informed in writing of the charges at least five days prior to the meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person 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 officer shall be considered and voted upon at the next Regular or Special Meeting of the members.

**SECTION 4. Chairperson.** The Chairperson:

- (a) Shall 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) may sign 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) shall perform all other duties incident to the Chairperson of the Board and such other duties as may be prescribed by the Board of Directors from time to time.

**SECTION 5. Vice Chairperson.** In the absence of the Chairperson, or in the event of his inability or refusal to act, the Vice Chairperson shall perform the duties of the Chairperson, and when so acting shall have all the powers of and be subject to all the restrictions upon the Chairperson. The Vice Chairperson 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) cause the minutes of the meetings of the members and of the Board of Directors and of any Executive Committee to be kept;

- (b) see that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) supervise custody of the corporate records and of the seal of the Cooperative;
- (d) cause a register of the names and post office addresses of all members be kept;
- (e) 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, provide upon request a copy of the Bylaws and of all amendments thereto to each member; and
- (f) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 7. Treasurer.** The Treasurer shall:

- (a) supervise custody of the funds and securities of the Cooperative;
- (b) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6 and 7, the Board of Directors by resolution may, except as otherwise limited by law, delegate wholly or in part, the responsibility and authority for, and the regular and routine administration of, one or more of such officers' such duties to one or more agents or other officers of the Cooperative who are not directors. To the extent that the board does so delegate with respect to either such officer, that officer as such shall be released from such duties, responsibilities and authorities.

**SECTION 8. Manager.** The Board of Directors may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him.

**SECTION 9. Bonds of Officers.** The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall give bond in such sum and with such surety as the Board of 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 10. Compensation.** The powers, duties and compensation of any 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 relative of directors.

**SECTION 11. Reports.** The officers of the Cooperative shall submit at each Annual Meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

**SECTION 12. Books and Records of Account.** The Cooperative shall keep correct

and complete books and records of account and also shall keep minutes of the proceedings of its meetings of members and Board of Directors. The Cooperative shall keep at its principal office records of the names and addresses of all members. At any reasonable time any member or agent or attorney, upon written notice stating the purposes thereof delivered or sent to the Cooperative at least one week in advance, may examine for a proper purpose any books or records pertinent to the purpose specified in such notice.

## **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 will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons, for all amounts received and receivable from the members for the furnishing of electric energy in excess of (1) operating costs and maintenance expenses and the principal and interest on outstanding obligations properly chargeable against the furnishing of electric energy and (2) such reserves for improvement, new construction, depreciation, and contingencies as the Board of Directors from time to time may prescribe.

All such amounts received from the members in excess of said operating costs, maintenance expenses, principle, interest, and reserves at the moment of receipt by the cooperative, 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 patron all such amounts, in excess of operating costs, maintenance expenses, principle, interest, and reserves. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital. To secure a Patron's obligation to pay amounts owed to the Cooperative, and in return for the Cooperative providing a Cooperative Service to the Patron, the Cooperative has a security interest in Capital Credits allocated to the Patron. The Patron authorizes the Cooperative to perfect this security interest by filing a financing statement. Capital credits may be used to satisfy a patron's obligation to the Cooperative.

All other amounts received by the Cooperative from sources other than from the membership,

including but not limited to interest income and capital credits allocated and paid from affiliated organizations such as generating and transmission cooperative, may be, insofar as permitted by law be:

- (a) used to offset any losses incurred during the current or any prior fiscal year, and
- (b) at the discretion of the Board of Directors, credited to a general unallocated reserve or
- (c) to the extent not needed for that purpose allocated to its patrons on a patronage basis and any amounts so allocated shall be included as part of the capital credits to the accounts of patrons, as herein provided.

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 will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Consistent with this Bylaw, the retirement and payment of Capital Credits are in the sole discretion of the Board and are not affected by previous retirements and payments. The manner, method, and timing of retiring and paying Capital Credits may be determined only by the Board. Except as hereinafter set forth, any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired.

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 patrons' premises served by the Cooperative unless the board of directors, acting under the policies of general application, shall determine otherwise.

Regardless of a statute of limitation or other time limitation, after retiring Capital Credits allocated to a patron or former patron, the Cooperative may recoup, offset, or setoff an amount owed to the Cooperative by the patron or former patron, including any interest and late payment fee, by reducing the amount of retired Capital Credits to be paid to the patron or former patron by the amount owed to the Cooperative.

Notwithstanding any other provision of these Bylaws, the Board of Directors, at its discretion, may

- (a) have the power at any time to retire from a patron's capital credit , upon a discounted basis, any amount necessary to pay his total indebtedness, or any portion thereof, to the Cooperative, provided that the financial condition of the Cooperative will not be impaired thereby;
- (b) have the power at any time upon the non-use by any patron of electrical energy, upon the board's own motion or upon written request of such non-user, to retire the capital

credits to such non-user patron upon a discounted basis account; provided further that such non-use is of permanent nature and that the financial condition of the Cooperative will not be impaired thereby.

- (c) have the power at any time to offer all capital credit owners the opportunity to retire all or a portion of their capital credits upon a discounted basis. Prior to making this offer the board must determine that the offer would not impair the financial condition of the Cooperative. The board shall have the power to establish the terms or restrictions of any such offer of early retirement.
- (d) have the power to adopt rules providing for the separate retirement of that portion (power supply portion) of the capital credited to the accounts of members which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric service to the Cooperative.

Except as shown above, or upon the death of a natural person, there shall be no other retirements out of the order of priority provided for in these Bylaws.

**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, insofar as law, be prorated annually on a patronage basis and returned to those patrons from whom such amounts were obtained.

## ARTICLE VIII.

### **Disposition of Property**

The Cooperative may not sell, lease or otherwise dispose of all or any substantial portion of its property unless such sale, lease or other disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than three-fourths of all of the members of the Cooperative, and unless the notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the board shall determine, to secure any indebtedness of the Cooperative; provided further that the board 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.

## 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, Williston, North 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 and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

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

**SECTION 3. Deposits.** All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks or other financial institutions as the Board of Directors may select.

**SECTION 4. Change in Rates.** When required by law or contract written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America any proposed change in the rates charged by the Cooperative for electric energy.

## ARTICLE XI.

### Membership Acceptance

**SECTION 1. Articles of Incorporation and By-Laws; Contracts between Cooperative and Patron.** The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.



## ARTICLE XII.

### Miscellaneous

**SECTION 1. Membership in Other Organizations.** The directors shall have full power and authority on behalf of the Cooperative to purchase stock in or to become a member of, any corporation, limited liability company, cooperative or any other business organized under state or federal law and that may benefit the membership of the Cooperative including any local community development corporations or associations whether the same are organized as profit or non-profit corporations.

**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. 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 because the meeting shall not have 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 Incorporation or these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

**SECTION 4. Accounting System and Reports.** The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws 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 a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of each fiscal year. The annual audit shall be presented to and reviewed by the Board of Directors.

Such audit reports shall be submitted to the members at the following Annual Meeting.

## ARTICLE XIII.

### Amendments

**SECTION 1. Amendment of By-Laws.** These Bylaws may be altered, amended or repealed by the members of any Regular or Special Meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

## **ARTICLE XIV.**

### **Rules of Order**

Parliamentary Procedure. The Parliamentary Procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the members or Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Certificate of Incorporation or Bylaws.

I, Dale L. Haugen, Manager of Mountrail-Williams Electric Cooperative, say that the foregoing is a true copy of the Bylaws as amended up to the Annual Meeting of the members held on the 2<sup>nd</sup> day of June, 2022.

Dale L. Haugen General Manager