

BYLAWS
OF
TOWN AND COUNTRY SUPPLY ASSOCIATION
BILLINGS, LAUREL, AND HARDIN MONTANA

ARTICLE I. MEMBER MEETINGS

Section 1. Time and Place. The annual meeting of the members of this cooperative shall be held at such time and place as shall be determined by the board of directors.

Section 2. Notice. The secretary shall give notice of regular or special meetings by mailing the same to each member at his post office address, as shown on the cooperative's records, not less than seven days nor more than 30 days before the meeting. Upon the mailing of any notice of a regular or special meeting of the members of the cooperative as herein provided, the secretary shall sign a certificate setting forth a correct copy of such notice and showing the date of the mailing thereof and that the same was mailed within the time and in the manner prescribed by law. Failure of any member to receive any such notices shall not invalidate any action which may be taken by the members at any meeting.

Section 3. Quorum. A quorum for the transaction of business at any regular annual meeting or at any special meeting shall be 10% of the first 100 members plus 5% of any additional members present in person. Members represented by a signed vote may be counted in computing a quorum only on those questions as to which the signed vote is taken.

Section 4. Votes. A member shall not be entitled to more than one vote, which shall be cast in person, or by mail and not by proxy, provided that only members of record on the books of the cooperative for at least 10 days shall be entitled to vote at any meeting.

Section 5. Vote by Mail. An absent member may cast a signed written vote and send the same by mail to the cooperative, which vote shall be counted at any regularly called general or special meeting of the members, provided such member has been previously notified in writing of the exact motion or resolution upon which such vote is taken and a copy of same is forwarded with and attached to the vote so mailed by the member.

Section 6. Order of Business. At each annual meeting, reports covering the business of the cooperative for the previous fiscal year shall be submitted to the members by the officers. Directors shall be elected and other business may be transacted. The order of business shall be substantially as follows:

- (a) Roll call and/or registration.
- (b) Reading of minutes.
- (c) Reports of officers and committees.

- (d) Election of directors.
- (e) Unfinished business.
- (f) New business.
- (g) Adjournment.

Section 7. Special Meetings. Special members' meetings may be called by the president, the board of directors or members having 10% of the votes entitled to be cast at such meeting. The notice of the special meeting shall state the purpose for which the meeting is called.

ARTICLE II. BOARD OF DIRECTORS

Section 1. Board of Directors. The government of this cooperative and the management of its affairs shall be vested in a board of directors composed of six (6) members who shall be elected at the annual meeting of such members and hold office for three years. The Board of Directors of Town and Country Supply Association shall be comprised of six (6) members, two (2) members selected from Big Horn County and four (4) members from the remaining area serviced by Town and Country Supply Association. In order to be eligible for board membership, all board members must pass necessary background checks required by Montana law for the operation of all businesses being undertaken as part of the commercial and business activities of Town and County Supply Association. The Board of Directors shall provide for representation with two (2) directors each serving a three (3) year term and with no more than one (1) member elected each year from Big Horn County who shall represent the Hardin area. Four (4) board members from outside of the Big Horn County area shall represent the patrons currently being served by Town and Country Supply Association and continuing to serve the merged organization. A minimum of one (1) of those board members shall be selected each and every year for a three (3) year term. At each annual meeting thereafter, as many directors shall be elected for a three (3) year term as there are regular vacancies in the number of directors. Vacancies caused by resignation shall require an election to fill the remainder of the resigning director's term. The Board of Directors shall be allowed on this initial reduction of Directors from nine (9) to six (6) to extend terms to meet the criteria described above. The initial Board will be comprised of current Board members that are not currently up for re-election. All directors shall hold office until their successors are elected and qualified.

Section 2. Monthly Meetings. The board of directors shall meet regularly at such time and place as the board may fix by resolution.

Section 3. Special Meetings. Special meetings of the board of directors may be called by the president or by a majority of the board. Each member of the board shall be duly notified of such meeting.

Section 4. Quorum. A majority of the members of the board shall constitute a quorum and a majority vote of the members present shall decide all questions.

Section 5. Compensation. The members of the board shall receive no compensation for their services as such, nor with the exception of the secretary for any services rendered as officers of

the cooperative, nor shall the cooperative be held liable for any services except as herein provided. The members of the board shall be allowed their reasonable traveling expenses when actually engaged in the business of the cooperative and such reasonable compensation for attendance at any meetings of the board and for all time actually spent upon business of the cooperative as shall be determined by the board. The secretary may receive such additional compensation for his/her services as the board shall determine.

ARTICLE III. OFFICERS

Section 1. Officers. The officers of this cooperative shall be a president, a vice president, a secretary and a treasurer. The offices of secretary and treasurer may be combined and shall be entitled "secretary-treasurer."

Section 2. Elections. The officers shall be elected by and from the board of directors at its annual meeting to be held immediately following the annual meeting of the members without further notice.

Section 3. Terms of Office. The officers shall hold their offices for the term of one year and until their successors are elected and qualified.

Section 4. Vacancies. Vacancies in any office shall, except as herein otherwise provided, be filled by the board of directors upon notice at a regular or special meeting called for that purpose.

Section 5. Removal. An officer or a director may be removed from office by a vote of two-thirds of the members at a general meeting held after previous notice of the time and place and of the intention to propose such removal. Meetings of the members for this purpose may be called by the president, or by a majority of the directors, or by members holding at least one-half of the votes. The cause for removal must be stated in writing and addressed to the secretary who shall thereupon give notice of the time, place and object of the meeting, and by whose order it is called. The members may fill any vacancy caused by such removal.

ARTICLE IV. EMPLOYEES

Section 1. Manager and Help. The board of directors may employ a manager and provide for other help under such contract of employment and compensation as they deem advisable and may terminate such employment at their discretion subject to the terms thereof. The manager shall be directly responsible to the board of directors, which board shall supervise the conduct of the business of this cooperative and, in particular, the conduct of the manager. The board of directors shall be responsible as such for the management of the cooperative and for the conduct of the manager when acting in his/her official capacity.

ARTICLE V. CAPITAL STOCK

Section 1. Stock. The amount of the authorized stock of this corporation shall be \$25,000,000.00 which shall be divided into shares of common and preferred stock of a par value of not less than \$25.00. The common and preferred stock shall be of undetermined classification, subject to classification into the proper shares at such time as will be deemed necessary.

Section 2. Terms and Limitations. The common stock of this cooperative, not to exceed one share, shall be sold and issued only to:

- (a) agricultural producers or
- (b) cooperative associations whose members are agricultural producers.

Each member shall be entitled to one vote, which vote must be cast in person and not by proxy, except that any such member who is absent from any meeting of the members may vote by mail as heretofore provided in these bylaws.

Section 3. Preferred Stock. Preferred stock and preferred stock A may be issued to holders of one share of common stock or any person, association or corporation, but neither class of preferred stock shall have any voting power or rights to participate in the management of the affairs of the cooperative. No interest or dividends shall be paid on the common or preferred stock. Dividends (interest) not exceeding 6% per annum may be paid upon preferred stock A if and when declared from savings, which dividends shall not be cumulative.

Section 4. Transfers. Transfers of stock shall be made only with the approval of the board of directors and shall be made upon the books of the cooperative only by the stockholders in person or by power-of-attorney duly executed and acknowledged and filed with the secretary, and on surrender of any share certificates. No transfer of stock shall be made unless and until any and all indebtedness owing to the cooperative by the stockholder has been paid in full.

Section 5. Loss of Right to Vote. If at any time a holder of common stock ceases to be an agricultural producer or an association of such producers for one year or ceases to patronize the cooperative for one year, the board of directors shall exchange his share of common stock for a like amount of preferred stock, and thereupon such stockholder's right to vote shall terminate.

Section 6. Retirement of Stock. The outstanding common stock, preferred stock and preferred stock A of the cooperative may be retired in whole or in part, as to each class, at any time, as determined by the board of directors upon paying to its holder the par value thereof upon surrender of any documents evidencing such shares, and the cooperative may select the particular shares of common, preferred or preferred stock A it will so retire.

Separate stock records will be maintained for each of the consolidating cooperatives (until they are retired in full). Each year the board will determine the amount of funds that are available for stock retirements, these funds will be allocated to each cooperatives "old stock" in proportion to the amount of stock that each has contributed to Town and Country Supply, Inc. (see Appendix B).

Section 7. Payments. The capital stock shall be paid in at such times and in such manner as the board of directors may determine, but no share shall be issued for less than its par value or until the same has been paid for in cash or its equivalent, and such payment has been deposited with the treasurer of the cooperative.

Section 8. Lien on Stock. This cooperative shall have first lien upon the stock of every stockholder to secure any debt such stockholder may owe to it, and the board of directors may cancel the stock, without notice, of any stockholder who fails to pay such indebtedness to the cooperative.

Section 9. Dissolution. In the event of dissolution, the assets of the cooperative shall be distributed as follows:

- (a) To pay all costs of dissolution;
- (b) To pay any liabilities;
- (c) To pay the par value of the outstanding preferred stock;
- (d) To pay the par value of the outstanding common stock;
- (e) Any remaining assets, including reserves, shall be distributed among the patrons as shown by the records of this cooperative and as determined by the board of directors.

ARTICLE VI. DISTRIBUTION OF SAVINGS

Section 1. (a) Gross Receipts from Patronage. Gross receipts of the cooperative from patronage shall be all proceeds from the sale of products marketed for patrons, all sums received for supplies, equipment, commodities and other property procured for patrons, all sales received for services performed for patrons, and expenses included in connection with these activities.

- (1) Those gross receipts which reduce the costs and expenses included in connection with patronage shall be used to reduce the deductions from gross receipts enumerated in Section 1 (b) of this article.
- (2) All other gross receipts from patronage shall be distributed by the cooperative to its patrons subject to the deductions there from and to the exceptions thereto hereinafter provided.

(b) Deductions from Gross Receipts from Patronage. The cooperative shall deduct from "gross receipts from patronage:"

- (1) All necessary marketing expenses;
- (2) The actual cost of supplies, commodities, equipment and other property procured for patrons;

- (3) The actual cost of services performed for patrons; and
- (4) Amounts attributable to gross receipts from patronage of:
 - (i) taxes, other than taxes based on income
 - (ii) all other necessary expenses
 - (iii) reasonable and necessary additions to reserves for depreciation, for depletion, for obsolescence of physical property, for doubtful accounts and for other valuation reserves, all established and computed in accordance with generally accepted accounting principles.
- (5) The amounts expended for the purpose of teaching and promoting cooperation if and to the extent provided in these bylaws.

(c) **Annual Net Savings from Patronage.** The amount remaining after reducing the “gross receipts from patronage” by the deductions specified in Section 1 (b) of this article shall constitute the annual net savings (net earnings) subject only to the deductions therefrom and the exceptions thereto provided in Sections 4 and 5 of this article.

Section 2. (a) Gross Receipts from Sources other than Patronage. Gross receipts of the cooperative from all sources other than those described in Section 1 (a) of this Article shall constitute “gross receipts from sources other than patronage.” They shall be subject to the deductions therefrom hereinafter provided, and any net amount thereof shall be held or used for the purposes and in the manner hereinafter provided.

(b) **Deductions from Gross Receipts from Sources Other than Patronage.** The cooperative shall deduct from “gross receipts from sources other than patronage” amounts attributable to gross receipts from sources other than patronage of:

- (1) Taxes, other than taxes based on income,
- (2) All other necessary expenses, and
- (3) Reasonable and necessary additions to reserves for depreciation, for depletion, for obsolescence of physical property, for doubtful accounts, and for other valuation reserves, all established and computed in accordance with generally accepted accounting principles.

(c) **Annual Net Savings from Sources other than Patronage.** The amount remaining after reducing the “gross receipts from sources other than patronage” by the deductions specified in Section 2(b) of this article shall constitute the annual net savings (net earnings) from sources other than patronage.

Section 3. Total Annual Net Savings. The sum of annual net savings from patronage and annual net savings from sources other than patronage shall be known as the “total annual net savings”.

Section 4. Capital Reserve. The board of directors shall annually set aside an amount equal to 10% of the total annual net savings as a statutory capital reserve until such reserve (including all allocated and unallocated portions thereof) equals 30% of the paid-up capital stock. Following the adoption of these bylaws the amounts so set aside shall not be allocated to the credit of the patrons of the cooperative. The amounts so set aside shall be accumulated from the following sources. (If the following sources (a) through (e) should total more than the required 10%, the total amount thereof shall nevertheless be placed in the capital reserve.)

- (a) Annual net savings from sources other than patronage.
- (b) Annual net savings from patronage on business done for the United States or any of its agencies.
- (c) Annual net savings from patronage attributable to patrons who are unidentified.
- (d) Annual net savings from patronage attributable to patrons who do not consent to take into account patronage dividends from the cooperative in the manner provided in 26 U.S.C. Section 1385.
- (e) Annual net savings from patronage attributable to patrons who so consent, but which are, as to anyone patron, less than a given amount to be determined by the board of directors from time to time.
- (f) If the total amount of allocated and unallocated capital reserve equals or exceeds 30% of the paid-up capital stock, then no additional amount over and above the amounts required by items (a) through (e) above shall be set aside.

If the total amount of said capital reserve is less than 30% of the paid-up capital stock and if the above items (a) through (e) do not equal the required 10% addition to the capital reserve, then an amount sufficient to produce a total addition to the capital reserve equal to 10% of the total annual net savings shall be set aside from the annual net savings from patronage.

- (g) Amounts which have been placed in the capital reserve prior to the effective date of this amendment, and which have been allocated, shall remain allocated on the books of the cooperative unless and until retired.

Section 5. Dividends on Stock. If this cooperative shall have outstanding any preferred stock A, any dividends paid shall be paid from the annual net savings from patronage remaining after having been reduced by any additions to the capital reserve provided for in Section 4 of this article.

Section 6. (a) Distribution. The annual net savings from patronage, less any deductions therefrom or exceptions thereto as determined by Sections 4 and 5 of this article, shall be distributed annually (except as hereinafter provided) to the patrons of the cooperative who consent to take into account patronage distributions from the cooperative in the matter provided

in 26 U.S.C. Section 1385, on the basis of their respective patronage, and said patrons shall be notified thereof.

- (1) In making such distribution, due regard shall be given to the source from which such savings came, and separate allocations and distributions shall be made for the marketing and purchasing operations as separate divisions of the cooperative.
- (2) Patronage dividends shall be distributed in cash or in written notices of allocation or by any combination thereof designated by the board of directors. The amount stated in written notices of allocation shall be applied toward the purchase of capital stock of the cooperative (but not preferred stock A) at its par value or shall be in such other form as is permitted by law.

(b) Annual net savings from patronage attributable to consenting patrons, which are, as to any one patron, less than the amount specified in Section 4(e) shall be placed in the capital reserve and not distributed to the patrons.

ARTICLE VII. DUTIES OF OFFICERS

Section 1. President. The president will preside over all meetings of the cooperative and of the board of directors and will be ex-officio member of all committees. He/she shall sign with the secretary all certificates of stock, notes and conveyances of real estate. He/she shall perform such other duties as usually pertain to the office.

Section 2. Vice President. In the absence or disability of the president, the vice president shall perform his/her duties.

Section 3. Secretary. The secretary shall keep the corporate records of the cooperative and the minutes of all meetings of the members and of the board of directors. He/she shall serve all notices required by law. He/she shall sign with the president all certificates of stock and all notes and conveyances of real estate, affixing the corporate seal to all instruments requiring the same. He/she will perform such other duties as may be required of him /her by law or by the board of directors.

Section 4. Treasurer. The treasurer shall be the custodian of all funds, property and securities of the cooperative, except his/her own bond which shall be deposited with the president. He/she shall deposit all funds, in the name of the cooperative, in a reliable bank previously designated by the board of directors and disburse the same upon the authority of the board. He/she shall perform such other duties as may be required of him/her by the board of directors or the bylaws.

Section 5. Bonds. Officers and employees having custody of or handling funds or property shall give fiduciary bond satisfactory to the board of directors at the expense of the cooperative.

Section 6. Corporate Seal. The corporate seal shall bear the full corporate name of the cooperative surrounding the words, "Corporate Seal."

ARTICLE VIII. DUTIES OF MANAGER

Section 1. General Duties. The manager shall perform such duties and shall have such powers as the board of directors may require of or may delegate to him/her. He/she shall have charge of all merchandise purchased for patrons and shall be responsible for the collection of the required deposits for such merchandise. The amount of deposit, or the basis thereof, is to be fixed by the board of directors. In the performance of his/her duties, he/she shall comply with all legal and contractual requirements.

Section 2. Reports. The manager shall make a report at such intervals as the board of directors shall fix, such report to be made in person or by mail to the secretary and to be a report of all business transacted for the interval immediately preceding. Such report shall be made in such detail and upon such forms as prescribed by the board.

ARTICLE IX. ACCOUNTING

Section 1. Fiscal Year. The fiscal year of this cooperative shall terminate on December 31 of each year.

Section 2. Records. The accounting system of this cooperative shall include suitable records which will disclose at all times its financial condition and the business transacted by it.

Section 3. Auditing. The books of the cooperative shall be audited at least once each fiscal year by a competent accountant or cooperative auditing service, and the report of such audit shall be submitted at the annual meeting of the members.

Section 4. Reports. The proper officers shall make and forward all reports required by the laws of the state and federal governments.

ARTICLE X. AMENDMENTS

These bylaws may be amended, or new bylaws may be adopted, at the annual meeting or at any other meeting of the members called for that purpose by a vote representing a majority of the members voting thereon.

ARTICLE XI. CONSENT

Each person (including individuals, partnerships and business or cooperative corporations) who becomes a member and each member of this cooperative who continues as a member shall, by

such act alone, consent that the amounts of any distributions with respect to his patronage occurring in any fiscal year which are made in written notices of allocation (as defined in 26 U.S.C. 1388, Internal Revenue Code) and which are received by him from the cooperative, will be taken into account by him at their stated dollar amounts in the manner provided in 26 U.S.C. 1385 in the taxable years in which such written notices of allocation are received by him. It is the intent of this bylaw to provide a consent binding on all members who retain or obtain membership in this cooperative after receipt of a written notification of this bylaw and a copy thereof, for the purpose of making such distributions "qualified written notices of allocation," within the meaning of the United States income tax laws.

ARTICLE XII. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Any officer or director of this cooperative now or hereafter serving as such shall be indemnified by the cooperative against claims, liabilities, expenses and costs necessarily incurred by him/her in connection with the defense, compromise or settlement of any action, suit or proceeding, civil or criminal, in which he/she is a party by reason of being or having been such a director or officer, except in relation to matters as to which he/she shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty to the cooperative.

ARTICLE XIII. UNCLAIMED CAPITAL CREDITS

Notwithstanding any other provision of the bylaws or other provision of the membership certificate, if any member or former member fails to claim any cash retirement of capital credits or other payment from the cooperative within five (5) years after payment of the same has been made available to him/her by notice at their last address furnished by them to the cooperative, such failure shall be and constitutes an irrevocable assignment and gift by such member of such capital credits or other payment to the cooperative. Failure to claim any such payment within the meaning of this section shall include the failure of such member or former member to cash any check mailed to them by the cooperative at the last address furnished by them to the cooperative. The assignment and gift provided for under this section shall become effective only upon the expiration of five (5) years from the date when such payment was made available by check to the member or former member without claim therefore, and only after the further expiration of sixty (60) days following the giving of a notice by mail and or publication that unless such payment is claimed within said sixty (60) day period, such gift to the cooperative shall become effective. The notice by mail herein provided shall be one mailed by the cooperative to such member or former member at the last known address. If notice by publication is given, such publication shall be one insertion in a newspaper circulated in the service area of the cooperative, which may be the cooperative's newsletter.

**Adopted July 1, 1997; Amended February 2, 2009; Amended April 9, 2013;
Amended December 18, 2017, Amended April 6, 2021**