

BYLAWS OF JACKSON ELECTRIC COOPERATIVE, INC.

Article I - General

Section 1.1 - Law and Articles. These Bylaws are subject to Law and the Articles of Incorporation of Jackson Electric Cooperative, Inc. ("Articles"). If, and to the extent that, a Bylaw conflicts with Law or the Articles, then the Law or Articles control. "Law" includes applicable:

- (1) local, state, and federal constitutions, statutes, ordinances, regulations, holdings, rulings, orders, and similar documents or actions, whether legislative, executive, or judicial; and
- (2) legally binding contracts enforceable by or against the Cooperative, including legally binding contracts between the Cooperative and an Applicant or Member.

Article II - Cooperative Membership

Section 2.1 - Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of Jackson Electric Cooperative, Inc. (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he or it has first:

- (1) Made a written application for membership therein.
- (2) Said application is then approved by vote of the Board of Directors.
- (3) Agreed to purchase from the Cooperative electric energy as hereinafter specified.
- (4) Agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board, and
- (5) Paid the membership fee hereinafter specified.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these Bylaws. A membership shall entitle each member to one vote in the affairs of the Cooperative.

Section 2.2 - Membership Fee. Payment of the membership fee, in effect at the time of membership application entitles a member to one or more electrical service connections. The membership fee shall be subject to adjustment from time to time by the Cooperative Board of Directors but the applicant shall only pay such membership fee in effect at the time of membership application.

Section 2.3 - Purchase of Electric Energy. Each member shall, as soon as electric energy is available, purchase from the Cooperative electric energy used on the premises specified in his Contract for Electric Service and shall pay thereof monthly at rates which shall from time to time be fixed by the Board of Directors, provided, however, that the member may be limited to the amount of electric energy provided by such member's contract with 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 in these Bylaws. Each member shall pay to the Cooperative such minimum amount per month, regardless of the amount of electric energy consumed, as may be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owing by him to the Cooperative as and when the same shall become due and payable.

Section 2.4 - Non-Liability for Debts of the Cooperative. The private property of the members of the Cooperative shall be exempt from execution for the debts of Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

Section 2.5 - Withdrawal of Membership. Any member may withdraw from membership upon payment in full of all debts and liabilities of such to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe.

Section 2.6 - Transfer and Termination of Membership. Membership in the Cooperative shall not be transferable, except as hereinafter otherwise provided, and upon the death, cessation of existence, or withdrawal of a member the membership of such member shall be terminated automatically. Termination of membership in any manner shall not release the member from debts or liabilities of such member to the Cooperative. In case of withdrawal or termination of membership in any manner, the Cooperative will repay to the member the amount of membership fee paid by him, provided however, that the Cooperative shall deduct from the membership fee the amount of any debts or obligations owing by the member to the Cooperative. A check shall be issued for the balance of the membership fee plus the balance of any deposits credited to the customer and mailed to the former member at his last known address.

A membership may be transferred by a member to his or her spouse, as the case may be. Such transfer shall be made and recorded on the books of the Cooperative.

When a membership is held jointly by a husband and wife, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and upon the recording of such death on the books of the Cooperative, provided however, that the estate of the deceased shall not be released from any membership debts or liabilities of the Cooperative.

A husband and wife may each have a separate membership if more than one account is held by such husband and wife subject to application for such separate membership and payment of the fee for each membership.

Section 2.7 - Membership Agreement. A Member shall: 1) comply with the Governing Documents and; 2) provide and maintain a current mailing address and telephone number with the Cooperative. If a Member fails to comply with the Governing Documents, then, as provided in these Bylaws: 1) the Cooperative may suspend or terminate service provided to the Member; and 2) the member shall pay the Cooperative for the Cooperative's damages, costs, or expenses,

including attorney fees and legal expenses, caused by or associated with the Member's failure to comply with the Governing Documents. Regardless of whether money damages are available or adequate, the Cooperative may: 1) bring and maintain a legal action to enjoin the Member from violating the Governing Documents; and 2) bring and maintain a legal action to order the Member to comply with the Governing Documents.

The Articles and these Bylaws are contracts between the Cooperative and a Member. By becoming or remaining a Member, the Member acknowledges that: 1) every Member is a vital and integral part of the Cooperative; 2) the Cooperative's successful operation depends upon each Member complying with the Governing Documents; and 3) Members are united in an interdependent relationship.

As requested by the Cooperative, a Member shall: 1) submit a claim or dispute between the Member and the Cooperative regarding the Governing Documents, the Cooperative's Provision of a Cooperative Service, or the Member's Use of a Cooperative Service to mediation and arbitration and shall comply with an arbitration award; and 2) indemnify the Cooperative for, and hold the Cooperative harmless from, liabilities, damages, costs, or expenses, including reasonable attorney fees and legal expenses, incurred by the Cooperative, or by a Cooperative Director, Officer, employee, agent, or representative ("Cooperative Official"), and caused by the Member's negligence, gross negligence, or willful misconduct, or by the unsafe or defective condition of a Location Occupied by the Member.

Section 2.8 - Provision of Cooperative Service. A Member shall comply with any reasonable procedure required by the Cooperative regarding the provision of an electrical service. Based upon different costs of providing an electrical service to different classes of electrical consumers, the Cooperative may charge each class a different rate or price for providing the Electrical Service.

(1) Interruption of Electrical Service. The Cooperative will undertake to provide electrical service to all Members in a reasonable and prudent manner, consistent with the industry standards. The Cooperative, however, cannot and does not insure or warrant that it will provide continuous or non-fluctuating electrical service. The Cooperative is not liable for damages, costs or expenses, including attorney fees or legal expenses, caused by the Cooperative providing non-continuous or fluctuating electric service, unless the damages, costs, or expenses are caused by the Cooperative's gross negligence or willful misconduct. The Cooperative's responsibility and liability for providing electrical service terminates upon delivery of service at the weatherhead or point of delivery. In case of emergency, or as requested by appropriate government or emergency officials or representatives, the Cooperative may interrupt electrical service to the Cooperative Members.

(2) Safe and Protected Operation of the Cooperative. A Member shall take or omit any act that is required by the Cooperative to safely, reliably, and efficiently operate the Cooperative and provide electrical service. This provision shall apply to: 1) a location occupied by the Member for which the Cooperative provides or will provide electrical service; 2) real or

personal property in which the Member possesses a legal or equitable right or interest (“Member Property”); 3) Cooperative Equipment; or 4) Member Equipment connected to Cooperative Equipment. A Member shall: 1) protect Cooperative Equipment and Member Equipment connected to Cooperative Equipment; and 2) install and maintain procedures required by the Cooperative. As necessary to safely, reliably, and efficiently operate the Cooperative and provide electrical service, the Cooperative may temporarily interrupt the Cooperative’s electrical service. A Member shall not tamper with, alter, interfere with, damage, or impair Cooperative Equipment. Except as otherwise provided by the Board or Contract Agreement, the Cooperative owns all Cooperative Equipment.

(3) Member Equipment Connected to Cooperative Equipment. Before and while Member Equipment is connected to Cooperative Equipment, the Member:

- (a) shall comply with, and shall ensure that the Member equipment, the connection, and any act or omission regarding the Member equipment and the connection comply with the Governing Documents, including terms, conditions, requirements, and procedures required by the Cooperative regarding the Member equipment and the connection;
- (b) shall ensure that the Member equipment and the connection do not adversely impact the Cooperative’s ability to safely, reliably, and efficiently operate the Cooperative or Provide a Cooperative Service;
- (c) grants the Cooperative the right (but does not impose upon the Cooperative an obligation) to inspect the Member equipment and the connection to determine whether the Member equipment and connection comply with the Governing Documents;
- (d) grants the Cooperative the right to disconnect or temporarily operate Member equipment that does not comply with applicable codes or that adversely impacts the Cooperative’s ability to safely, reliably, and efficiently provide electrical energy; and
- (e) shall pay the Cooperative for income not received or accrued because of the connection.

If Member equipment is connected to Cooperative equipment, then: 1) the Member is, but the Cooperative is not, responsible for designing, installing, operating, maintaining, inspecting, repairing, replacing, and removing the Member equipment; 2) the Cooperative is not liable for damage to, or for the performance of, the Member equipment; 3) the Cooperative is not liable for damage to Member property; 4) the Member is responsible for knowing the concerns, risks, and issues associated with operating the Member equipment and connecting the Member equipment to Cooperative equipment; 5) the Member is liable for damage to, and for the nonperformance of, the Cooperative equipment caused by the Member equipment or the connection; and 6) the Member is liable for, and must indemnify the Cooperative against, injury or death to any Person and damage to any property caused by, or resulting from, the Member equipment or the connection.

(4) Suspension or Termination of Cooperative Service. After providing a Member reasonable notice and an opportunity to comment orally or in writing, the Cooperative may suspend or terminate the provision of electrical energy to the Member for a Suspension Reason. Without providing a Member notice or an opportunity to comment, the Cooperative may suspend or terminate the provision of electrical energy to the Member upon determining or discovering:

- (a) that Cooperative equipment used to provide the electrical energy has been tampered with, altered, interfered with, damaged, or impaired;
- (b) that Member equipment connected to Cooperative equipment adversely impacts the Cooperative's ability to safely, reliably, and efficiently operate the Cooperative or provide electrical energy;
- (c) the unsafe condition of Cooperative equipment or Member equipment connected to
to
Cooperative equipment; or
- (d) an imminent hazard or danger posed by Cooperative equipment or Member equipment connected to Cooperative equipment.

Section 2.9 - Grant of Property Rights. As required by the Cooperative for a Cooperative purpose, a Member shall: 1) provide the Cooperative safe and reliable access to or use of Member property; and 2) pursuant to terms and conditions specified by the Cooperative, and without compensation from the Cooperative, grant or convey to the Cooperative a written or oral easement, right-of-way, license, or other right or interest in Member property, and execute a document regarding this grant or conveyance.

A "Cooperative Purpose" is at any time, and in a manner determined by the Cooperative: 1) purchasing, installing, constructing, inspecting, monitoring, operating, repairing, maintaining, removing, relocating, upgrading, or replacing Cooperative equipment or Member equipment connected to Cooperative equipment; 2) clearing, trimming, removing, or managing any trees, bushes, brush, or other vegetation; 3) providing electrical energy to a Member or one or more other Members; 4) monitoring, measuring, or maintaining electrical energy services to a Member or one or more other Members; 5) Providing electric energy to a Person or one or more other Persons; 6) authorizing, permitting, satisfying, or facilitating an obligation incurred, or right granted, by the Cooperative regarding use of Cooperative equipment; or 7) safely, reliably, and efficiently operating the Cooperative or providing electrical energy services.

Section 2.10 - Membership List. The Cooperative shall maintain a written or electronic record of current Members in a form permitting the Cooperative to alphabetically list the names and addresses of all Members.

Except as otherwise provided by these Bylaws or the Board, a Person may not inspect, copy, or receive a copy of all or part of the Membership List or a similar list of Members.

Pursuant to this Bylaw, upon delivery to the Cooperative at least five (5) days in advance of a written notice or request signed by a Member, the Member, or the Member's agent or

attorney, may: 1) inspect and copy the Membership List during regular business hours at a reasonable location specified by the Cooperative; or 2) pay the Cooperative a reasonable charge determined by the Cooperative covering the labor and material costs of producing, reproducing, copying, or transmitting the Membership List, which charge may not exceed the estimated costs of producing, reproducing, copying, or transmitting the Membership List, and the Cooperative must provide the Member a written or, if requested, electronic copy of the Membership List.

A Member, Member's agent, or Member's attorney, however, may inspect, copy, or receive a copy of the Membership List only if, as determined by the Cooperative: 1) the Member's notice or request is made in good faith and for a proper purpose; 2) the Member describes with reasonable particularity the purpose for which the Member will use the Membership List; and 3) the Membership List is directly connected with the Member's purpose.

Except as otherwise provided by the Board, a Person may not: 1) obtain or use all or part of the Membership List for a purpose unrelated to a Member's interest as a Member; 2) use all or part of the Membership List to solicit money or property, unless the money or property is used solely to solicit Member votes in a Cooperative election or vote; 3) use all or part of the Membership List for a commercial purpose; or 4) sell or purchase all or part of the Membership List.

Except as otherwise provided by the Board, a Person shall comply with any reasonable terms, conditions, or requirements imposed by the Cooperative to protect against use of all or part of the Membership List for improper purposes or prohibited uses.

Instead of making the Membership List available for inspection or copying, or providing a copy of the Membership List, the Cooperative may, within five (5) days of receiving a notice or request from a Member, offer the Member an alternative method for reasonably and timely accomplishing the purpose identified by the Member without providing access to or a copy of the Membership List.

No member may sell, transfer, disclose, distribute, or otherwise dispose of all or part of the Membership List or a similar list or record of Members or Member information.

Article III - Member Meetings and Member Voting

Section 3.1 - Annual Member Meetings. The Cooperative shall annually hold a meeting of Members ("Annual Member Meeting").

The Board shall determine the date, time, and location of an Annual Member Meeting. The Cooperative's failure to hold an Annual Member Meeting does not affect an action taken by the Cooperative.

At the Annual Member Meeting: 1) the President shall give a report regarding the activities of the Cooperative; and 2) the Treasurer shall give a report regarding the financial

condition of the Cooperative and any Cooperative Subsidiary. Within thirty (30) days before the Annual Member Meeting, the Cooperative shall mail the Members a copy or summary of the report provided by the Treasurer at the Annual Member Meeting.

Section 3.2 - Special Member Meetings. The Cooperative shall hold a special meeting of Members (“Special Member Meeting”) upon receiving: 1) a written request from the Board signed by at least fifty percent (50%) of the Board or 2) a written demand signed and dated within thirty (30) days after the first signature by at least one thousand (1,000) unsuspended Members or ten percent (10%) of the total number of unsuspended Members (“Total Membership”), whichever is less, with each page of the written demand requesting and describing the purpose of the meeting (“Member Demand”).

The Board shall determine the date, time and location or manner of a Special Member Meeting.

If the Cooperative does not notify Members of a Special Member Meeting within thirty (30) days of receiving a Member Demand signed by the requisite number of Members, then a Member signing the Member Demand may: 1) set a reasonable time, place, and location for the Special Member Meeting; and 2) notify Members of the Special Member Meeting, including the agenda for such meeting.

Section 3.3 - Agenda, Attendance, and Action at Member Meetings. Except as otherwise provided in these Bylaws, before or at an Annual or Special Member Meeting (“Member Meeting”), the Board: (1) shall determine the agenda, program, or order of business for the Member Meeting; and (2) may limit attendance at the Member Meeting to Members and Persons Occupying a Location with Members.

Except as otherwise provided by the Board before or at a Member Meeting, the President: 1) shall preside at the Member Meeting; and 2) may exercise power reasonably necessary for efficiently and effectively conducting the Member Meeting.

Members attending a Member Meeting may consider, vote, or act only upon a matter described in the notice of the Member Meeting except other matters may be acted upon with the consent of the majority of Members in attendance at the Member Meeting.

Section 3.4 - Member Action Without a Member Meeting. Except as otherwise provided in these Bylaws, Members may not act without a Member Meeting.

Section 3.5 - Notice of Member Meetings. As directed by the President, Secretary, or any other Officer or Member properly calling the Member Meeting, the Cooperative shall deliver written or electronic notice of a Member Meeting personally or by mail or by electronic transmission, either with or without other documents, to all Members entitled to vote at the meeting. This notice must indicate the date, time, and location of the meeting and must be delivered at least ten (10) days, but no more than sixty (60) days, before the meeting.

Except as otherwise provided in these Bylaws, a mailed notice of a Member Meeting is delivered when deposited in the United States mail with prepaid postage affixed and addressed to a Member at the Member's address shown on the Membership List. Except as otherwise provided in these Bylaws, an electronically transmitted notice of a Member Meeting is delivered when electronically sent to a Member at the Member's electronic mail address shown in the Cooperative's records. The good faith, inadvertent, and unintended failure of a Member to receive notice of a Member Meeting does not affect an action taken at the Member Meeting.

Section 3.6 - Record Date. A "Record Date" is the date for determining the Total Membership and the Members entitled to: 1) sign a Member petition, request, demand, consent, appointment, or similar document; 2) receive a ballot, notice of a Member Meeting, or similar document; or 3) vote or otherwise act. If a Member is suspended after the Record Date, then the Member may not sign a document, receive a document, or vote or otherwise act.

The Board may fix the Record Date, but the Record Date must not be more than seventy (70) days before the: 1) date the first Member signs a Member petition, request, demand, consent, appointment, or similar document; 2) date a ballot, notice, or similar document is due or required; or 3) date of a Member Meeting. Except as otherwise provided by the Board, the Record Date: 1) for signing a Member petition, request, demand, consent, appointment, or similar document is the date the Cooperative receives the signed document; 2) for receiving a ballot, notice, or similar document is the date sixty (60) days before the document is due or required; and 3) for voting or otherwise acting at a Member Meeting is the date of the Member Meeting.

Section 3.7 - Member Voting by Mail Ballot. Except as otherwise provided in these Bylaws or by the Board, a Member may vote or act by mail or electronic transmission only as provided in this Bylaw and in a manner determined by the Board.

- (1) Mail Ballot. A Mail Ballot ("Mail Ballot") must:
 - (a) set forth and describe a proposed action, identify a candidate, and include the language of a motion, resolution, Bylaw Amendment, or other written statement, upon which a Member is asked to vote or act;
 - (b) state the date of a Member Meeting at which Members are scheduled to vote or act on the matter;
 - (c) provide an opportunity to vote for or against, or to abstain from voting on, the matter;
 - (d) instruct the Member how to complete and return the Mail Ballot; and
 - (e) state the time and date by which the Cooperative must receive the completed Mail Ballot.

Section 3.8 - Quorum. A total of one hundred fifty (150) unsuspended Members of the Cooperative present in person shall constitute a quorum for the transaction of business at all

meetings of the Members, provided such membership meeting is not called for the purpose of selling the Cooperative as a whole. In order to constitute a quorum for the purpose of considering a proposition of sale of the Cooperative as a whole, three-fourths (3/4ths) of the total membership of the Cooperative must be present in person or by mail ballot and two-thirds (2/3rds) of Members voting at the meeting of those Members must vote in favor of the sale thereof, in order to accomplish a sale. If less than a quorum is present at a meeting those present in person may adjourn the meeting from time to time without further notice.

Section 3.9 - Member Voting. If a Member presents identification or proof of Cooperative membership as reasonably required by the Cooperative, and if the Member is not suspended on the Record Date and remains unsuspended after the Record Date, then, regardless of the value or quantity of Cooperative Services used, the member may cast one (1) vote on a matter for which the Member is entitled to vote. To vote for an Entity Member, an individual must present evidence requested by and satisfactory to the Cooperative that the individual is authorized to vote for the Entity Member.

Article IV - Board of Directors

Section 4.1 - Director Districts. Based upon geographic, regional, population, membership, subdivision, economic development, permanent or full residency, seasonal or partial residency, or other equitable consideration determined by the Board, The Cooperative shall divide the general area in which the Cooperative provides electric energy ("Cooperative Service Area") into eleven districts that equitably represent the Members ("Director Districts"). Current Director Districts are defined as follows:

District No. 1: Shall comprise those members that make up the Sargent Community, specifically those members west of Farm-to-Market 457, south of Chambliss Road, east of Live Oak Bayou, plus all members on Canal Road east of Farm-to-Market 457.

District No. 2: Shall comprise those members south of State Highway 35, east of the Colorado River and west of Farm-to-Market 2540 at Van Vleck down to Farm-to-Market 457, then west of Live Oak Bayou or District No. 1.

District No. 3: Shall comprise those members north of State Highway 35 from Bay City to Van Vleck, east of Farm-to-Market 2540, south to Allen Hurst Road, north of Allen Hurst Road to the Brazoria County Line; including all members north of Allen Hurst Road in Brazoria and Matagorda Counties lying east of State Highway 60.

District No. 4: Shall comprise those members west of the Colorado River, in and around the Markham Community, along Farm-to-Market 2431 and west of State Highway 71 and State Highway 35 and its extension to the Bay of Palacios.

District No.5: Shall comprise those members south and west of Midfield and south of State Highway 111 to the Jackson/Matagorda County Line, east of the county line down to FM 616, then south of FM 616 and east of the West Carancahua Creek to the bay, and lying west of

District No. 4.

District No. 6: Shall comprise those members in Matagorda and Brazoria Counties west of the San Bernard River and south and east of Farm-to-Market 2611 and its extension along County Road 310 to Hinkle's Ferry Crossing on the San Bernard River, east of Farm-to-Market 457 at Sargent. This District includes all Jackson Electric Cooperative accounts/members east of the San Bernard River, but does not include accounts along the Barge Canal that are accessed from Farm-to-Market 457.

District No. 7: Shall comprise those members south of the communities of Lolita and LaWard and Farm-to-Market 616. It is bounded on the east by the West Carancahua Creek and on the west by the Lavaca River as runs to the bay.

District No. 8: Shall comprise those members in Jackson County south of U. S. Highway 59 west of the Navidad River/Lake Texana, north of Farm-to-Market 616, except for all of the Community of Lolita and all of the City of LaWard.

District No. 9: Shall comprise those members south of Allen Hurst Road and east of the limit of Jackson Electric Cooperative's certified area south to Hinkle's Ferry, north of Farm-to-Market 2611 and east of Live Oak Bayou and north and east of FM 457 and FM 2540 to the intersection of Allen Hurst Road.

District No. 10: Shall comprise those members east of the western boundary of Jackson Electric Cooperative's certified area, all accounts served by Jackson Electric Cooperative in Lavaca County, west of Farm-to-Market 530 and north of U.S. Highway 59.

District No. 11: Shall comprise those members in Jackson County south of U.S. Highway 59, east of Arenosa Creek and west of the Navidad River or Lake Texana; also included are those north of U.S. Highway 59, east of Farm-to-Market 530, plus any accounts located in Wharton County.

As necessary, based upon geographic, regional, population, membership, subdivision, economic development, permanent or full residency, seasonal or partial residency, or other equitable consideration determined by the Board, the Board may revise the Director Districts to ensure that the Director Districts equitably represent the Members. Within thirty (30) days following a Director District revision, and at least ninety (90) days before the next Annual Member Meeting, the Cooperative must notify, in writing or electronically, Members affected by the Director District revision. Director District revisions are effective on the date the Cooperative releases written or electronic notice of the Director District revision. A Director District revision may not: 1) increase an existing Director's Director Term; or 2) unless the affected Director consents in writing, shorten an existing Director's Director Term.

Section 4.2 - Board. The Cooperative shall have a Board that equitably represents the Members and is composed of Members:

- (1) nominated according to these bylaws from the Members using a Cooperative Service at a Location within the Director District; and
- (2) elected by the Members using a Cooperative Service;
 - (a) Entity Members. The Board may not be composed of more than three (3) individuals authorized by Entity Members. An Entity Member may not authorize more than one (1) Director.
 - (b) Board Powers. Except as otherwise provided in these Bylaws:
 - (1) Cooperative powers must be exercised by the Board, or under the Board's authority;
 - (2) Cooperative activities and affairs must be managed under the Board's direction and subject to the Board's oversight; and
 - (3) the Board shall reasonably administer and enforce these Bylaws, or shall ensure that these Bylaws are reasonably administered and enforced.

Section 4.3 - Director Qualifications. Directors or Director candidates must comply with this Bylaw.

- (1) General Director Qualifications. To become and remain a Director, a Person must comply with the following general qualifications ("General Director Qualifications").
 - (a) be an individual unsuspended Member (or an individual authorized by an entity Member) residing within the Director District from which you are nominated or appointed;
 - (b) have the capacity to enter legally binding contracts;
 - (c) not have been previously removed or disqualified as a Director;
 - (d) while a Director, and before becoming a Director, not be convicted of, or plead guilty to, a felony or a crime of moral turpitude; and
 - (e) before becoming a Director, graduate from high school or earn an equivalent degree or certification.
- (2) Independence Director Qualifications. To become and remain a Director, an individual must comply with the following independence qualifications ("Independence Director Qualifications"):
 - (a) annually complete and sign an independence certification and disclosure form approved by the Board;
 - (b) while a Director and during the three (3) years immediately before becoming a Director, not be an employee of the Cooperative or an employee of an entity controlled by the Cooperative or in which the Cooperative owns a majority interest ("Cooperative Subsidiary");
 - (c) while a Director and during the one (1) year immediately before becoming a Director, not be an employee of an entity in which the Cooperative is a member

- or owner (“Cooperative Affiliate”);
- (d) while a Director and during the one (1) year immediately before becoming a Director, not have been a director, officer, employee, or agent of a union or other entity representing, or seeking to represent, Cooperative employees regarding the terms and conditions of employment with the Cooperative;
- (e) while a Director and during the one (1) year immediately before becoming a Director, not receive or have a Close Relative that receives more than ten percent (10%) of annual gross income, other than insurance or Director compensation or retirement income, directly or indirectly from the Cooperative or a Cooperative Subsidiary;
- (f) while a Director and during the one (1) year immediately before becoming a Director, not advance or have a Close Relative that advances the individual’s pecuniary interest by competing with the Cooperative or a Cooperative Subsidiary;
- (g) while a Director, not be a Close Relative of a Cooperative employee;
- (h) while a Director, not be employed by another Director, or be employed by, or receive more than ten percent (10%) of annual gross income from, an entity for which another Director controls, owns more than ten percent (10%), or is a director or officer; and
- (i) while a Director and during the one (1) year immediately before becoming a Director, not be employed by, control, own more than ten percent (10%) of, serve as a director or officer of, or receive more than ten (10%) percent of annual gross income from an entity that:
 - (A) advances the entity’s pecuniary interest by competing with the Cooperative or a Cooperative Subsidiary;
 - (B) employs more than ten percent (10%) of Members; or
 - (C) receives more than ten percent (10%) of its annual gross income directly or indirectly from the Cooperative or a Cooperative Subsidiary.

(3) Director Disqualification. After being elected, designated, or appointed, if a Director does not comply with all General Director Qualifications, Membership Director Qualifications, and Independence Director Qualifications (collectively, “Director Qualifications”), then, except as otherwise provided by the Board for good cause, the Board shall disqualify the Director and the individual is no longer a Director if:

- (a) the Board notifies the Director in writing or electronically of the basis for, and provides the Director an opportunity to comment regarding, the Board’s proposed disqualification; and
- (b) within thirty (30) days after the Board notifies the Director of the proposed disqualification, the Director neither complies with nor meets the Director Qualification.

If a majority of Directors authorized by these Bylaws complies with the Director Qualifications and approve a Board action, then the failure of a Director to comply with the

Director Qualifications does not affect the Board action.

Section 4.4 - Director Nominations. For each Director position nominated from Members using a Cooperative Service at a Location within the Cooperative Service Area (“Nominating Members”) and scheduled for election by Members at a Member Meeting, the Nominating Members or Members shall nominate individuals as provided in this Bylaw.

(1) Nominating Committee Nominations. At least one hundred eighty (180) days before the Annual Member Meeting, the Board shall appoint a Nominating Committee (“Nominating Committee”). Nominating Committee members may not be an existing, or a Close Relative of an existing, Cooperative Official or known Director candidate.

At least ninety (90) days before the Member Meeting at which Members are scheduled to elect Directors, the Nominating Committee shall:

- (1) nominate at least one (1) individual to run for election for each Director position nominated by or from the Nominating Members and scheduled for election by Members at the Member Meeting (“Nominating Committee Nominations”); and
- (2) display the Nominating Committee Nominations at the Cooperative’s principal office.

If, before the scheduled election, a Nominating Committee Nominee dies, becomes incapacitated, or ceases to be qualified to be a Director, then the Nominating Committee may nominate another individual. As determined by the Board, the Cooperative may reasonably compensate or reimburse Nominating Committee members.

(3) Member Petition Nominations. In addition to Nominating Committee Nominations, Members may nominate, through petition, individuals to run for election for a Director position scheduled for election by Members at the Member Meeting (“Member Petition Nominations”). Members make Member Petition Nominations by delivering to the Board at least ninety (90) days before the Member Meeting a writing for each Member Petition Nomination (“Member Petition”):

- (a) listing, on each page of the Member Petition, the name of the Member Petition Nominee;
- (b) indicating, on each page of the Member Petition, the Director position for which the Member Petition Nominee will run; and
- (c) containing the printed names, addresses, and telephone numbers, and original dated signatures signed within sixty (60) days of the first signature, of at least twenty-five (25) Nominating Members.

After verifying that a Member Petition Nominee is qualified and the Member Petition complies with this Bylaw, the Cooperative shall display the Member Petition Nomination in approximately the same location as the Nominating Committee Nominations.

(4) Nominations from the Floor. Nominating Members may not nominate at, or from the floor of, a Member Meeting an individual to run for election to a Director position scheduled for election at the Member Meeting.

(5) Notice of Director Nominations. At least sixty (60) days before a Member Meeting at which Members are scheduled to elect Directors, the Cooperative shall notify Members of the:

- (a) director positions scheduled for election by Members;
- (b) names and corresponding Director positions of all Nominating Committee Nominations; and
- (c) names and corresponding Director positions of all Member Petition Nominations.

Section 4.5 - Director Elections. At each Member Meeting at which a Director position is scheduled for election by Members, the Members shall elect the Director from the Nominating Committee Nominations or Member Petition Nominations by a majority of votes cast by Members with a Member Quorum present in person or voting by Mail Ballot. Members may not vote for write-in candidates. If a Director position is unfilled after the first round of voting, then voting must be repeated until the Director position is filled, with the nominee receiving the lowest number of votes removed from the next round of voting. As determined by the President, the number of votes received by each nominee may or may not be announced. If only one (1) individual is nominated to run for election for a Director position scheduled for election by Members at the Member Meeting, then the individual presiding at the Member Meeting may announce that the nominated individual is elected by acclamation and no vote is required.

The Board must determine the order, listing, and placement of names on a Mail Ballot, Written Ballot, or similar ballot. A nominated individual may be identified as an incumbent on a Mail Ballot, Written Ballot, or similar ballot.

In campaigning or soliciting votes for election, a nominated individual shall comply with any reasonable rules, requirements, or procedures prescribed by the Board, which rules, requirements, and procedures must apply equally to all nominated individuals.

Section 4.6 - Director Terms. Except as otherwise provided in these Bylaws, a Director's term is three (3) years or until a successor Director is elected, designated, or appointed ("Director Term"). A Director's term begins after the individual consents to being elected, designated, or appointed as a Director. A Director's term ends after a successor Director consents to being elected, designated, or appointed as a Director.

The Cooperative shall stagger Director Terms by dividing the total number of authorized Directors into groups of approximately equal number. Members must annually elect an approximately equal number of Directors. Subject to a Director's consent, decreasing the number of Directors or length of Director Terms may not shorten an incumbent Director's Director Term.

Section 4.7 - Director Resignation. A Director may resign at any time. To resign, a Director must sign and deliver a written notice of resignation to the Board, President, or Secretary. A Director's resignation is effective when the Board, President, or Secretary receives the written notice of resignation and accepts same.

Section 4.8 - Termination of Directorship. A Director may be removed from his directorship upon a vote of two-thirds (2/3rds) of a vote of the Directors after the Director has first been provided a hearing before the Board of Directors.

(1) Any Director shall be terminated as a Director if he or she ceases to be a Member of the Cooperative or fails to reside within the district which he or she serves within thirty (30) days after ceasing to be a Member or living within the district for which he or she is a Director.

(2) Unless otherwise excused by the Board, a Director must attend three-fourths (3/4ths) of the regular monthly board meetings within a one (1) year period, said period beginning from the time the Director takes office.

(3) Director Removal Petition. For a Director for whom removal is requested, the Removing Members must deliver to the President or Secretary a dated written petition ("Director Removal Petition"):

- (a) identifying the Director;
 - (b) explaining the basis for the Director's removal; and
 - (c) containing the printed names, printed addresses, and original and dated signatures obtained within sixty (60) days following the Director Removal Petition date, of at least ten percent (10%) or one thousand (1,000) unsuspended Members, whichever is less, of the Members using a Cooperative Service within the Cooperative Service Area.
- Within thirty (30) days after the President or Secretary receives a Director Removal Petition: 1) the Cooperative shall forward a copy of the Director Removal Petition to the implicated Director; and 2) the Board shall meet to review the Director Removal Petition.

(4) Member Meeting. If the Board determines that the Director Removal Petition complies with this Bylaw, then the Cooperative shall notice and hold a Special Member Meeting within sixty (60) days following the Board's determination. Notice of the Member Meeting must state that: 1) a purpose of the Member Meeting is to consider removing a Director; 2) evidence may be presented, and a Member vote taken, regarding removing the Director; and 3) Board will fill unexpired term.

If a Member Quorum is present in person at the Special Member Meeting, then for the Director named in a Director Removal Petition:

- (a) before a Member vote, evidence must be presented supporting the basis

for removing the Director;

(b) the Director may be represented by legal counsel, and must have the opportunity to refute, and present evidence opposing, the basis for removing the Director; and

(c) after the Director's presentation and Member discussions, the Members must vote whether to remove the Director.

If a majority Members voting vote to remove the Director, then the Director is removed effective the time and date of the Member vote. A successor Director thus appointed by the Board must comply with the Director Qualifications and serves the unexpired Director Term of the removed Director. A Director Removal Petition or Director removal does not affect a Board action.

Section 4.9 - Vacancies. Vacancies occurring in the Board of Directors may be filled by a majority vote of the remaining directors, and directors thus elected shall serve until their successors shall have been elected and shall have qualified. Such person elected by the Board of Directors to fill a vacancy must be a member of the Cooperative and must reside in the district which he represents.

Section 4.10 - Director Compensation. A Director is not an employee of the Cooperative. As determined or approved by the Board, however, the Cooperative may reasonably pay or reimburse Directors a fixed fee and expenses for attending a: 1) Board Meeting; 2) function, meeting, or event involving or relating to the Cooperative; or 3) function, meeting, or event involving, relating to, or reasonably enhancing the Director's ability to serve in, the role of Director. The Board must determine or approve the manner, method, and amount of any Director compensation.

Section 4.11 - Director Conduct. In general:

(1) Director Standard of Conduct. A Director is not deemed a trustee regarding the Cooperative, Capital Credits, or property held or administered by the Cooperative, including property potentially subject to restrictions imposed by the property's donor or transferor. A Director shall discharge the Director's duties, including duties as a Board Committee member:

(a) in good faith;

(b) in a manner the Director reasonably believes to be in the Cooperative's best interests;

(c) when becoming informed in connection with the Director's decision-making function or devoting attention to the Director's oversight function, with the care that an individual in a like position would reasonably believe appropriate under similar circumstances; and

(d) in a manner in which the Director discloses or causes to be disclosed to other Directors or Board Committee members information not known by them, but known by the Director to be material to discharging their decision-making or oversight functions, except that disclosure is not required to the extent that the Director reasonably believes that disclosure would violate a duty imposed under

law, a legally enforceable obligation of confidentiality, or a professional ethics rule.

(2) Director Reliance on Others. Unless a Director has knowledge making reliance unwarranted, then in discharging the Director's duties, including duties as a Board Committee member, the Director may rely: 1) on the performance by any of the following individuals listed in (A) or (C) to whom the Board has formally or informally delegated the authority or duty to perform one or more of the Board's delegable functions; and 2) upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by any of the following individuals:

- (a) one or more Cooperative Officers or employees whom the Director reasonably believes to be reliable and competent in the functions performed or the information, opinions, reports, or statements provided;
- (b) legal counsel, public accountants, or other individuals retained by the Cooperative regarding matters involving skills or expertise the Director reasonably believes are matters within the individual's professional or expert competence and as to which the individual merits confidence; and
- (c) a Board Committee of which the Director is not a member if the Director reasonably believes the Board Committee merits confidence.

Section 4.12 - Close Relative. For purposes of these Bylaws, the term "Close Relative" means an individual who:

- (1) through blood, law, or marriage, is a spouse, child, stepchild, father, stepfather, mother, stepmother, brother, stepbrother, half-brother, sister, stepsister, half-sister, grandparent, grandchild, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, or daughter-in-law; or
- (2) resides in the same residence (collectively, "Close Relative").

An individual qualified and elected, designated, or appointed to a position does not become a Close Relative while serving in the position because of a marriage or legal action to which the individual was not a party.

Article V - Board Meetings and Director Voting

Section 5.1 - Regular Board Meetings. The Board shall regularly meet at the date, time and location determined by the Board ("Regular Board Meeting"). Except as otherwise provided in these Bylaws, the Board may hold Regular Board Meetings without notice. For good cause, the President may change the date, time, or location of a Regular Board Meeting.

Section 5.2 - Special Board Meetings. The Board, the President, or at least three Directors may call a special meeting of the Board ("Special Board Meeting") by providing each Director at least five days' prior written, oral, or electronic notice indicating the date, time, location and

purpose of the Special Board Meeting.

Section 5.3 - Conduct of Board Meetings. Except as otherwise provided in these Bylaws, a Regular Board Meeting or Special Board Meeting (“Board Meeting”) may be:

- (1) held in any county in which the Cooperative Provides a Cooperative Service; and
- (2) conducted with absent Directors participating, and deemed present in person, through any means of communication by which all Directors participating in the Board Meeting may simultaneously hear each other during the Board Meeting.

If a Director Quorum is present at a Board Meeting, then:

- (1) in descending priority, the following Officers may preside at the Board Meeting: President, Vice-President, Secretary, and Treasurer; and
- (2) if no Officer is present or desires to preside at a Board Meeting, then the Directors attending the Board Meeting must elect a Director to preside over the Board Meeting.

The Board may promulgate or approve rules, policies, and procedures regarding:

- (1) attendance at, participation in, or presentation during Board Meetings by Persons other than Directors;
- (2) the right to access, inspect, or copy minutes, records, or other documents relating to a Board Meeting by Persons other than Directors; or
- (3) the conduct of Board Meetings.

Section 5.4 - Waiver of Board Meeting Notice. At any time before, during, or after a Board Meeting, a Director may waive notice of a Board Meeting. A Director’s attendance at, or participation in, a Board Meeting waives notice of the Board Meeting and any matter considered at the Board Meeting. However, a Director may attend a Board Meeting solely for the purpose of objecting to the manner in which notice was given thereof.

Section 5.5 - Board Action by Written Consent. Without a Board Meeting, the Board may take an action required or permitted to be taken at a Board Meeting if the action is: 1) approved by all Directors; and 2) evidenced by the written or electronic consents (“Director Written Consent”) which: (A) describe the action taken; (B) is signed by each Director; (C) is delivered to the Cooperative; and (D) included with the Cooperative’s Board Meeting minutes. Except if a different effective date is provided in the Director Written Consent, action taken by Director Written Consent is effective when the last Director signs the Director Written Consent. A Director Written Consent has the effect of, and may be described as, a Board Meeting vote.

Section 5.6 - Director Quorum and Voting. A quorum of Directors is seven (7) of the Directors in office immediately before a Board Meeting begins (“Director Quorum”). If a Director Quorum is present when a matter is voted or acted upon, and unless the vote of a greater number of Directors is required, then the affirmative vote of a majority of Directors present is the act of the Board.

Section 5.7 - Committees. The Board may create a committee of the Board (“Board Committee”) and appoint Directors to serve on the Board Committee. A Board Committee must consist of three or more Directors and serves at the Board’s discretion. The Board may create a committee of the Members (“Member Committee”) and appoint Members, including Directors, to serve on the Member Committee. The Board may appoint one or more Directors or Members, respectively, as alternate members of any Board or Member Committee to replace any absent or disqualified Committee member during the Committee member’s absence or disqualification.

(1) Creation and Appointment of Committees. Except as otherwise provided in these Bylaws, at least a majority of Directors currently in office must approve the: 1) creation of a Board Committee or Member Committee; 2) appointment of Directors to a Board Committee; and 3) appointment of Members to a Member Committee.

(2) Conduct of Committee Meetings. To the same extent as the Board of Directors, the Bylaws addressing Regular Board Meetings, Special Board Meetings, Conduct of Board Meetings, Waiver of Board Meeting Notice, Board Action by Written Consent, and Director Quorum and Voting apply to Board Committees and Directors serving on Board Committees, and to Member Committees and Members serving on Member Committees.

(3) Committee Authority. A Member Committee may act as specified by the Board, but may not exercise Board authority. Except as otherwise provided in this Bylaw, the Board may authorize a Board Committee to exercise Board authority. Although a Board Committee may recommend, a Board Committee may not act, to: 1) retire and pay Capital Credits; 2) approve the Cooperative’s dissolution or merger, or the sale, pledge, or Transfer of all, or substantially all, Cooperative Assets; 3) elect, appoint, disqualify, or remove a Director, or fill a Board or Board Committee vacancy; or 4) adopt, amend, or repeal Bylaws.

Section 5.8 - Board Executive Committee. Except as otherwise provided by the Board:

- (1) a Board executive committee is composed of the President, Vice-President, Secretary, and Treasurer (“Board Executive Committee”); and
- (2) When impracticable or inconvenient for the Board to timely meet to consider a matter, and except as otherwise provided in these Bylaws, the Board Executive Committee may exercise all Board authority regarding a matter, and report such action to the entire Board at the next Board Meeting following an exercise of Board authority. However, the Board Executive Committee may not act to: 1) retire and pay Capital Credits; 2) approve the Cooperative’s dissolution or merger, or the sale, pledge, or Transfer of all, or substantially all, Cooperative Assets; 3) elect, appoint, disqualify, or remove a Director, or fill a Board or Board Committee vacancy; or 4) adopt, amend, or repeal Bylaws.

Article VI - Officers, Indemnification, and Insurance

Section 6.1 - Required Officers. The Cooperative must have the following officers:

President, Vice-President, Secretary, and Treasurer (“Required Officers”). The Board shall hold a meeting immediately following each Annual Member Meeting to elect required Officers by affirmative vote of a majority of Directors in office.

A Required Officer must be a Director. One Director may simultaneously be Secretary and Treasurer. Except as otherwise provided by Law, this Director may not execute, acknowledge, or verify a document in more than one capacity. Subject to removal by the Board, a Required Officer holds office until the Required Officer’s successor is elected. The Board shall fill a vacant Required Officer’s position for the unexpired portion of the Required Officer’s term.

Section 6.2 - President. Except as otherwise provided by the Board or these Bylaws, the President:

- (1) shall preside, or designate another individual to preside, at all Board and Member Meetings;
- (2) on the Cooperative’s behalf, may sign a document properly authorized or approved by the Board or Members; and
- (3) shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board or Members.

Section 6.3 - Vice-President. Except as otherwise provided by the Board or these Bylaws, the Vice-President: 1) upon the President’s death, absence, disability, or inability to act, shall perform the duties, and have the powers, of the President; and 2) shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board.

Section 6.4 - Secretary. Except as otherwise provided by the Board or the Bylaws, the Secretary:

- (1) shall be responsible for preparing, or supervising the preparation of, minutes of Board and Member Meetings;
- (2) shall be responsible for maintaining and authenticating the Cooperative’s records; and
- (3) shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board.

Section 6.5 - Treasurer. Except as otherwise provided by the Board or these Bylaws, the Treasurer shall perform all duties, shall have all responsibility, and may exercise all authority, prescribed by the Board or Members.

Section 6.6 - General Manager. 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. The General Manager shall perform such duties as the Board of Directors may from time to time vest in him.

Section 6.7 - Officer Resignation and Removal. At any time, a Required Officer

("Cooperative Officer") may resign. To resign: an Officer elected or appointed by the Board must deliver to the Board an oral, written or electronic resignation. Except as a later effective date is otherwise provided in the Officer resignation, an Officer resignation is effective when received. If an Officer resignation states a future effective date, and if, as appropriate, the Board accepts the future effective date, then, as appropriate, the Board may fill the vacant Officer position before the future effective date, but the successor Officer may not take office until the future effective date. At any time the Board may remove, with or without cause, an Officer elected or appointed by the Board.

Section 6.8 - Officer Contract Rights. The election, appointment, retention, or employment of an Officer, by itself, does not create a contract between the Cooperative and the Officer. An Officer's resignation or removal does not affect the Cooperative's contract rights, if any, with the Officer.

Section 6.9 - Authority to Execute Documents. On the Cooperative's behalf, two Required Officers may sign, execute, and acknowledge a document properly authorized or approved by the Board or Members. The Board may authorize additional Cooperative Officials or employees to sign, execute, and acknowledge a document on the Cooperative's behalf.

Section 6.10 - Bonds. At the Cooperative's expense, the Cooperative may purchase a bond covering a Cooperative Official.

Section 6.11 - Indemnification. As determined by the Board:

(1) Indemnification Director or Officer. The Cooperative shall indemnify: 1) an individual who is or was a Director of Officer; or 2) the estate or personal representative of such an individual (collectively, "Indemnification Director or Officer") who was successful, on the merits or otherwise, in defending a threatened, pending, or completed action, suit, or proceeding whether civil, criminal, administrative, or investigative, and whether formal or informal ("Indemnification Proceeding") to which the Indemnification Director or Officer was, is, or is threatened to be made a named defendant or respondent ("Indemnification Party") because the Indemnification Director or Officer is or was a Director or Officer.

This indemnification is against reasonable expenses, including attorney fees ("Indemnification Expenses") actually incurred by the Indemnification Director or Officer in connection with the Indemnification Proceeding.

(2) Indemnification Individual. The Cooperative shall indemnify an individual who is or was a Cooperative Official ("Indemnification Individual") and was made, because the Indemnification Individual is or was a Cooperative Official, an Indemnification Party to an Indemnification Proceeding other than an Indemnification Proceeding: 1) by or in the right of the Cooperative in which the Indemnification Individual was adjudged liable to the Cooperative; or 2) charging, and in which the Indemnification Individual was adjudged liable for receiving, financial benefit to which the Indemnification Individual was not entitled, whether or not

involving action in the Indemnification Individual's official capacity.

This indemnification is against reasonable Indemnification Expenses incurred in connection with an Indemnification Proceeding by or in the right of the Cooperative; or against the obligation to pay a judgment, settlement, penalty, fine, or reasonable expense, including attorney fees, actually incurred in connection with any other Indemnification Proceeding, if the Indemnification Individual:

- (1) acted in good faith;
- (2) reasonably believed: (A) for conduct as a Cooperative Official, that the Indemnification Individual's conduct was in the Cooperative's best interest; and (B) for all other conduct, that the Indemnification Individual's conduct was not opposed to the Cooperative's best interests; and
- (3) in the case of any criminal Indemnification Proceeding, had no reasonable cause to believe the Indemnification Individual's conduct was unlawful (collectively, "Indemnification Standard of Conduct")

To provide this indemnification, a majority vote of the Director Quorum, excluding Directors currently Indemnification Parties to the Indemnification Proceeding ("Indemnification Director Quorum"), must determine: 1) that the Indemnification Individual met the Indemnification Standard of Conduct; and 2) reasonable Indemnification Expenses.

(1) Advance for Expenses. Before the final disposition of an Indemnification Proceeding, the Cooperative may pay for, or reimburse the reasonable Indemnification Expenses incurred by an Indemnification Director, Officer, or Individual who is an Indemnification Party to the Indemnification Proceeding ("Indemnification Advance") if:

- (a) the Indemnification Director, Officer, or Individual furnishes the Cooperative a written: (A) affirmation of the Indemnification Director, Officer, or Individual's good faith belief that the Indemnification Director, Officer, or Individual has met the Indemnification Standard of Conduct; and (B) unlimited general obligation of the Indemnification Director, Officer, or Individual, which need not be secured, may be accepted without reference to financial ability to repay, may be executed personally or on the Indemnification Director, Officer, or Individual's behalf, and obligates the Indemnification Director, Officer, or Individual to repay the Indemnification Advance if a majority of the Indemnification Director Quorum ultimately determines that the Indemnification Director, Officer, or Individual did not meet the Indemnification Standard of Conduct; and
- (b) a majority of the Indemnification Director Quorum determines that the facts then known to them would not preclude indemnification for the Indemnification Director, Officer, or Individual under this Bylaw.

Section 6.12 - Insurance. Regardless of indemnification authority or requirement, the Cooperative may purchase and maintain insurance on behalf of an individual who is or was a Cooperative Official. This insurance is against a liability, including judgment, settlement, or otherwise, or reasonable expenses, including reasonable attorney fees, asserted against or incurred by the Cooperative or the individual in his or her individual capacity, or arising from the individual's status, as a Cooperative Official.

Article VII - Cooperative Operation

Section 7.1 - Nonprofit and Cooperative Operation. The Cooperative: 1) shall operate on a nonprofit and cooperative basis for the mutual benefit of all Members; and 2) may not pay interest or dividends on capital furnished by Patrons.

Section 7.2 - Allocating Capital Credits. The Cooperative shall allocate Capital Credits as provided in this Bylaw. The Cooperative must allocate Capital Credits in a Patron's name as shown in the Cooperative's records, regardless of the Patron's marital status.

(1) Patron. The term "Patron" means, during a fiscal year: 1) a Member; and 2) any other Person using a Cooperative Service to whom the Cooperative is obligated to allocate Capital Credits, which obligation existed before the Cooperative received payment for the Cooperative Service.

(2) Allocating Earnings. For each Cooperative Service provided during a fiscal year, the Cooperative shall equitably allocate to each Patron, in proportion to the quantity or value of the Cooperative Service used by the Patron during the fiscal year and timely paid for by the Patron, the Cooperative's patronage earnings from providing the Cooperative Service during the fiscal year. Patronage earnings means the amount by which the Cooperative's patronage sourced revenues from providing a Cooperative Service exceed the Cooperative's patronage sourced expenses of providing the Cooperative Service, all as determined under federal cooperative tax law.

For each fiscal year, the Cooperative may, as determined by the Board, use, retain, or equitably allocate the Cooperative's nonpatronage earnings. Nonpatronage earnings mean the amount by which the Cooperative's nonpatronage sourced revenues during a fiscal year exceed the Cooperative's nonpatronage sourced expenses during the fiscal year, less any amount needed to offset a patronage loss.

(3) Allocating Losses. For each Cooperative Service provided during a fiscal year, the Cooperative shall offset the Cooperative's patronage loss from providing the Cooperative Service during the fiscal year against the Cooperative's patronage earnings from providing the Cooperative Service during the most recent past fiscal year(s) or the next succeeding future fiscal years. Patronage loss means the amount by which the Cooperative's patronage sourced expenses of providing a Cooperative Service during a fiscal year exceed the Cooperative's patronage sourced revenues from providing the Cooperative Service during the fiscal year, all as

determined under federal cooperative tax law or generally accepted accounting principles.

For each fiscal year, the Cooperative shall offset the Cooperative's nonpatronage loss against the Cooperative's nonpatronage earnings during any fiscal year(s). Nonpatronage loss means the amount by which the Cooperative's nonpatronage sourced expenses during a fiscal year exceed the Cooperative's nonpatronage sourced revenues during the fiscal year.

(4) Capital Credits. For each amount allocated to a Patron, the Patron shall contribute a corresponding amount to the Cooperative as capital. The Cooperative must credit all capital contributions from a Patron to a capital account for the Patron. The Cooperative shall maintain books and records reflecting the capital contributed by each Patron. At the time of receipt by the Cooperative, each capital contribution is treated as though the Cooperative paid the amount allocated to the Patron in cash pursuant to a pre-existing legal obligation and the Patron contributed the corresponding amount to the Cooperative as capital. The term "Capital Credits" means the amounts allocated to a Patron and contributed by the Patron to the Cooperative as capital.

Consistent with this Bylaw, the allocation of Capital Credits is in the discretion of the Board and the Board must determine the manner, method, and timing of allocating Capital Credits. The Cooperative may use or invest unretired Capital Credits as determined by the Board.

(5) Different and Separate Allocations. As reasonable and fair, the Cooperative may allocate Capital Credits to classes of similarly situated Patrons under different manners, methods, and timing, provided the Cooperative allocates Capital Credits to similarly situated Patrons under the same manner, method, and timing. If the Cooperative is a member, patron, or owner of an Entity from which the Cooperative uses a good or service in providing a Cooperative Service and from which the Cooperative is allocated a capital credit or similar amount, then, as determined by the Board and consistent with this Bylaw, the Cooperative may separately identify and allocate to the Cooperative's Patrons this capital credit or similar amount allocated by the Entity.

(6) Joint Memberships. Upon receiving written notice and sufficient proof of the termination, conversion, or alteration of a Joint Membership: 1) through the death of a Joint Member, the Cooperative shall assign and transfer to each surviving Joint Member an equal portion of Capital Credits allocated, or to be allocated, to the Joint Membership; or 2) other than through the death of a Joint Member, and except as otherwise provided by a court or administrative body of competent jurisdiction, and except as otherwise provided by the Joint Members, the Cooperative shall assign and transfer to each Joint Member an equal portion of Capital Credits allocated, or to be allocated, to the Joint Membership.

Section 7.3 - Notification and Assignment of Capital Credits. Within a reasonable time after the end of each fiscal year, the Cooperative may notify each Patron in writing or electronically of the stated dollar amount of Capital Credits allocated to the Patron for the preceding fiscal year. Except as otherwise provided by the Board or these Bylaws, to assign or transfer a Patron's Capital Credits the Cooperative must receive a written request signed by the

Patron to assign or transfer the Capital Credits and the Patron and the assignee or transferee must comply with all reasonable requirements specified by the Cooperative.

Section 7.4 - Retiring Capital Credits. The Cooperative may retire and pay Capital Credits allocated to Patrons and former Patrons as provided in this Bylaw. If the Cooperative retires and pays Capital Credits, then the Cooperative must retire and pay Capital Credits in a Patron's name as shown in the Cooperative's records, regardless of the Patron's marital status. If the Cooperative mails a retired Capital Credit payment, then the Cooperative shall mail the payment to the Patron or former Patron's most recent address as shown in the Cooperative's records.

(1) General Capital Credit Retirements. At any time before the Cooperative's dissolution, liquidation, or other cessation of existence, the Cooperative may generally retire and pay some or all Capital Credits allocated to Patrons and former Patrons.

(2) Special Capital Credit Retirements. The Cooperative may specially retire and pay some or all Capital Credits allocated to an individual Patron or former Patron: 1) after the death of the individual; 2) after receiving a written or electronic request from the deceased individual's legal representative; and 3) according to the terms and conditions agreed upon by the Cooperative and the deceased individual's legal representative and in accordance with section 7.4(a) of this Article.

(3) Capital Credit Recoupment and Offset. 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 set off an amount owed to the Cooperative by the Patron or former Patron, including any compounded interest and late payment fee, by reducing the allocated amount of retired Capital Credits paid to the Patron or former Patron by the amount owed to the Cooperative.

(4) Capital Credit Retirement Discretion. The Cooperative may retire and pay Capital Credits only if the Board determines that the retirement and payment will not adversely impact the Cooperative's financial condition. 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.

(5) Different and Separate Capital Credit Retirements. As reasonable and fair, the Cooperative may retire and pay Capital Credits to classes of similarly situated Patrons and former Patrons under different manners, methods, and timing, provided the Cooperative retires and pays Capital Credits to similarly situated Patrons and former Patrons under the same manner, method, and timing. If the Cooperative separately identified and allocated Capital Credits representing capital credits or similar amounts allocated to the Cooperative by an Entity in which the Cooperative is or was a member, patron, or owner, then the Cooperative may retire and pay these Capital Credits before or after the Entity retires and pays the capital credits or similar

amounts to the Cooperative.

(f) Discounted Capital Credit Payments. As determined by the Board, before the time the Cooperative anticipates normally retiring and paying Capital Credits, the Cooperative may retire some or all Capital Credits and pay the net present value of the retired Capital Credits. If the Cooperative retires and pays the net present value of Capital Credits to a Patron or former Patron before the time the Cooperative anticipates normally retiring and paying the Capital Credits, then the amount of Capital Credits not paid may be used or retained as permanent, unallocated equity, or equitably allocated.

Section 7.5 - Patron Agreement. Each Patron and former Patron agrees that:

- (1) Capital Credits are not securities under state or federal Law;
- (2) The Patron's right to Capital Credits vests, accrues, becomes redeemable, and becomes payable only upon the Cooperative retiring the Capital Credits as provided in these Bylaws, and not upon the Cooperative allocating the Capital Credits; and
- (3) As required by Law, each Patron will: (A) report to the appropriate Entity all allocated or retired Capital Credits; and (B) pay the appropriate Entity any tax or similar amount on allocated or retired Capital Credits.

Section 7.6 - Non-Member Patrons and Non-Member Non-Patrons. As a condition of using a Cooperative Service, and except as otherwise provided by the Board:

- (1) To the same extent as a Member, a Patron who is not a Member ("Non-Member Patron") and a Person using a Cooperative Service who is not a Member or Patron ("Non-Member Non-Patron") must abide by and be bound to the duties, obligations, liabilities, and responsibilities imposed by the governing documents upon Members;
- (2) A Non-Member Patron or Non-Member former Patron has none of the rights granted by the governing documents to Members, other than the rights to: (A) be allocated Capital Credits; and (B) be paid retired Capital Credits; and
- (3) A Non-Member Non-Patron has none of the rights granted by the governing documents to Members.

Section 7.7 - Reasonable Reserves. Regardless of a contrary Bylaw, and to meet the Cooperative's reasonable needs, the Cooperative may accumulate and retain amounts exceeding those needed to meet current losses and expenses ("Reasonable Reserves"). The Cooperative must keep records necessary to determine, at any time, each Member's rights and interest in Reasonable Reserves.

Article 8 - Disposition of Cooperative Assets

Section 8.1 - Transfer of Cooperative Assets. Except for a sale, lease, exchange, disposition, conversion, or other transfer ("Transfer") of Cooperative Assets: 1) to secure

indebtedness; 2) pursuant to condemnation or threat of condemnation; 3) pursuant to an existing legal obligation; 4) associated with a Consolidation or Merger; 5) consisting of the Cooperative's ownership in an Entity; 6) consisting of the Cooperative's ownership in assets relating to a taxable business venture; 7) to an Entity operating on a cooperative basis and providing electric energy; or 8) to a Cooperative Subsidiary, the Cooperative may Transfer all or substantially all of the Cooperative's Assets only if:

(1) At the expense of the Person seeking to purchase, lease, or acquire the Cooperative's Assets, the Board appoints three (3) independent appraisers, each of whom, within a reasonable time of appointment, evaluates and renders an appraisal valuing the Cooperative's Assets specified in the proposed Transfer ("Appraisal");

(2) The Person seeking to purchase, lease, or acquire the Cooperative's Assets provides to the Cooperative any information requested by the Cooperative;

(3) Within a reasonable time of receiving the Appraisals, the Cooperative invites any other Entity operating on a cooperative basis, providing electric energy, and primarily located within the same state as, or within a state adjacent to, the state in which the Cooperative is primarily located, to submit proposals to purchase, lease, or acquire the Cooperative's Assets specified in the proposed Transfer, or to Merge or Consolidate with the Cooperative;

(4) The Board approves the proposed Transfer;

(5) A majority vote of at least two thirds (2/3rds) of the total Membership approves the proposed Transfer. Members may approve the proposed Transfer by voting in person or Mail Ballot;

(6) Notice of a Member Meeting at which Members will consider the proposed Transfer states that one of the purposes of the Member Meeting is to consider the Transfer, and includes a copy or summary of the proposed Transfer;

(7) No Director will benefit from the Transfer, financially or otherwise, in a manner unrelated to the Director's membership interest; and

(8) In proportion to the value or quantity of Cooperative services used by Members during the period in which the Cooperative owned a Cooperative Asset, the Cooperative allocates to Members as Capital Credits any consideration received for the Cooperative's Assets that exceeds the amount paid for the Cooperative Assets.

Except as otherwise provided by the Members, after the Members approve a Transfer, the Board may abandon the Transfer. To secure indebtedness by the Cooperative or a Cooperative Subsidiary, the Board may Transfer, mortgage, pledge, dedicate to repayment, or encumber any Cooperative Asset. As used in this Bylaw, a Transfer includes the conversion of the Cooperative to another form of business.

Section 8.2 - Merger or Consolidation. The Cooperative may consolidate or merge only with an Entity operating on a cooperative basis that provides electric energy ("Consolidate or Merge"). To Consolidate or Merge, the Cooperative must comply with this Bylaw.

(1) Board Approval. To Consolidate or Merge, the Board must approve an agreement or plan to Consolidate or Merge ("Consolidation or Merger Agreement") stating the:

- (a) terms and conditions of the Consolidation or Merger;
- (b) name of each Entity Consolidating or Merging with the Cooperative;
- (c) name of the new or surviving Consolidated or Merged Entity ("New Entity");
- (d) manner and basis, if any, of converting memberships or ownership rights of each Consolidating or Merging Entity into memberships or ownership rights of, or payments from, the New Entity;
- (e) number of directors of the New Entity, which must equal or exceed five (5);
- (f) date of the New Entity's annual meeting;
- (g) names of New Entity directors who will serve until the New Entity's first annual meeting; and
- (h) other information required by Law.

(2) Member Approval. To Consolidate or Merge after the Board approves a Consolidation or Merger Agreement, a majority of two thirds (2/3rds) of the Total Membership must approve the Consolidation or Merger Agreement. Members may approve the Consolidation or Merger Agreement by voting in person, or Mail Ballot.

(3) Notice. The Cooperative shall notify Directors of a Board Meeting, and Members of a Member Meeting, at which Directors or Members may consider a Consolidation or Merger Agreement. This notice must contain, or be accompanied by, a summary or copy of the Consolidation or Merger Agreement and the New Entity's articles of incorporation and bylaws and any provision which would require Director or Member approval if contained in a proposed Articles or Bylaws Amendment.

(4) Other Requirements. The New Entity directors named in the Consolidation or Merger Agreement must sign and file articles of Consolidation or Merger in a manner, and stating the information, required by Law. The Cooperative shall comply with all other requirements for Consolidation or Merger specified by Law.

Section 8.3 - Distribution of Cooperative Assets Upon Dissolution. Upon the Cooperative's dissolution: 1) the Cooperative shall pay, satisfy, or discharge all Cooperative debts, obligations, and liabilities; 2) the Cooperative shall retire and pay all Capital Credits allocated to Patrons and former Patrons; and 3) after paying, satisfying, or discharging all Cooperative debts, obligations, and liabilities, and after retiring and paying all Capital Credits,

and to the extent practical:

- (a) the Cooperative shall distribute gains from selling an appreciated Cooperative Asset to current Members in equal shares;
- (b) the Cooperative shall then distribute nonpatronage/nonoperating earnings used by the Cooperative as permanent, unallocated equity to current Members in equal shares; and
- (c) the Cooperative shall then pay or distribute any remaining Cooperative Assets, and any amounts received from selling any remaining Cooperative Assets, to the current Members in equal shares; or a nonprofit charitable or educational Entity or organization exempt from federal income taxation.

Article 9 - Miscellaneous

Section 9.1 - Electronic Documents. If a Member or Director owns, controls, or has reasonable access to the applicable or necessary hardware and software, then, regardless of a contrary Bylaw, as determined by the Board, and as allowed by Law:

- (1) the Member or Director consents and agrees to: (A) use, accept, send, receive, and transmit an electronic signature, contract, record, notice, vote, communication, and other document regarding a transaction, business, or activity with, for, or involving the Cooperative ("Electronic Document"); (B) electronically conduct an action, transaction, business, or activity with, for, or involving the Cooperative; and (C) electronically give or confirm this consent and agreement;
- (2) an Electronic Document sent or transmitted to, or received or transmitted from, the Member or Director satisfies a requirement imposed by the Governing Documents that the underlying signature, contract, record, notice, vote, communication, or other document be in writing;
- (3) electronically sending or transmitting an Electronic Document to, or receiving or transmitting an Electronic Document from, the Member or Director satisfies a requirement imposed by the Governing Documents that the underlying signature, contract, record, notice, vote, communication, or other document be sent or received personally or by mail; and
- (4) the Member or Director electronically taking an action provided in these Bylaws satisfies a requirement imposed by the Governing Documents regarding the form or manner of taking the action.

Except as otherwise provided in these Bylaws, an Electronic Document electronically sent or transmitted to a Member or Director or former Member at the Member or Director or former Member's last known electronic address is considered sent, received, transmitted, and effective on the date sent by the Cooperative. An Electronic Document electronically received or transmitted from a Member or Director or former Member is considered sent, received, transmitted, and effective on the date received by the Cooperative.

Section 9.2 - Bylaw Amendment. Except as otherwise provided in these Bylaws, these
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Bylaws may be adopted, amended, or repealed ("Amended") only by the vote of a majority of Members voting at a Member Meeting. Except as otherwise provided in a Bylaw Amendment, the Amendment is effective immediately after the vote approving the Amendment. The Cooperative must notify Members of Amended Bylaws.

(1) Sponsorship of Bylaw Amendment. The Board may sponsor or propose a Bylaw Amendment. Except as otherwise provided by the Board, Members may sponsor or propose a Bylaw Amendment. Except as otherwise provided by the Board, to be considered at a Member Meeting, a Bylaw Amendment sponsored or proposed by Members must be:

- (a) sponsored by, and accompanied by a dated petition containing the printed names, addresses, and original dated signatures obtained within sixty (60) days of the petition date for, at least fifty (50) Members entitled to vote on the Bylaw Amendment;
- (b) delivered to, and received by, the Cooperative at least one hundred twenty (120) days before the Member Meeting at which the Members will consider the proposed Bylaw Amendment;
- (c) after review by the Board, determined lawful and approved by the Board; and
- (d) not altered or modified after delivery to the Cooperative.

(2) Notice of Bylaw Amendment. Notice of a Member Meeting at which Members will consider a proposed Bylaw Amendment must: 1) state that the purpose, or one of the purposes, of the Member Meeting is to consider the proposed Bylaw Amendment; and 2) contain, or be accompanied by, a copy or summary of the proposed Bylaw Amendment. After notice of a proposed Bylaw Amendment, the proposed Bylaw Amendment may not be amended.

Section 9.3 - Rules of Order. The rules contained in the current edition of Robert's Rules of Order Newly Revised shall govern the Cooperative in all cases to which they are applicable and in which they are not inconsistent with these Bylaws and any special rules of order the Cooperative may adopt.

Section 9.4 - Fiscal Year. The Board may determine and modify the Cooperative's fiscal year. Except as otherwise provided by the Board, the Cooperative's fiscal year is the calendar year.

Section 9.5 - Notice and Communication. In these Bylaws:

(1) Notice and Communication Type. Except as otherwise provided in these Bylaws, a notice or communication may be: a) oral or written or electronic; and b) communicated: (A) in person; (B) by telephone, telegraph, teletype, facsimile, electronic communication or transmission, or other form of wire or wireless communication; (C) by mail or private carrier; or (D) if the above-listed forms of communicating are impractical, then by newspaper of general circulation in the area where published, or radio, television, or other form of public broadcast communication.

If addressed or delivered or transmitted to an address shown in the Membership List or Cooperative records, then a written or electronic notice, communication, or report delivered or transmitted as part of a newsletter, magazine, or other publication regularly sent to Members constitutes a written or electronic notice, communication, or report to all Members: 1) residing at the address; or 2) having the same address shown in the Membership List or Cooperative records.

(2) Notice and Communication Effective Date. Except as otherwise provided in these Bylaws:

- (a) an oral notice or communication is effective when communicated, if communicated in a comprehensible manner; and
- (b) a written notice or communication is effective upon the earliest of: (A) when received; (B) with the postmark evidencing deposit in the United States Mail, and if correctly addressed and mailed with first class postage affixed, then five (5) days after deposit in the United States Mail, or if correctly addressed and mailed with other than first class, registered, or certified postage affixed, then thirty (30) days after deposit in the United States Mail; or (C) if sent by registered or certified mail, return receipt requested, and if the return receipt is signed by, or on behalf of, the addressee, then on the date indicated on the return receipt.

A written notice or communication is correctly addressed to a Member if addressed to the Member's address shown in the Membership List.

Section 9.6 - Governing Law. These Bylaws must be governed by, and interpreted under, the laws of the state in which the Cooperative is incorporated.

Section 9.7 - Titles and Headings. Titles and headings of Bylaw articles, sections, and subsections are for convenience and reference, and do not affect the interpretation, construction, or application of a Bylaw article, section, or subsection.

Section 9.8 - Partial Invalidity. When reasonably possible, every Bylaw article, section, subsection, paragraph, sentence, clause, or provision (collectively, "Bylaw Provision") must be interpreted in a manner by which the Bylaw Provision is valid. The invalidation of a Bylaw provision by an Entity possessing proper jurisdiction and authority, which invalidation does not alter the fundamental rights, duties, and relationship between the Cooperative and Members, does not invalidate the remaining Bylaw provisions.

Section 9.9 - Cumulative Remedies. The rights and remedies provided in these Bylaws are cumulative. The Cooperative or a Member asserting a right or remedy provided in these Bylaws does not preclude the Cooperative or Member from asserting other rights or remedies provided in these Bylaws.

Section 9.10 - Entire Agreement. Between the Cooperative and a Member, the Governing

Documents: 1) constitute the entire agreement; and 2) supersede and replace a prior or contemporaneous oral or written or electronic communication or representation.

Section 9.11 - Successors and Assigns. Except as otherwise provided in these Bylaws: 1) the duties, obligations, and liabilities imposed upon, and the rights granted to, the Cooperative by these Bylaws are binding upon, and inure to the benefit of, the Cooperative's successors and assigns; and 2) the duties, obligations, and liabilities imposed upon a Member by these Bylaws are binding upon the Member's successors and assigns. The binding nature of the duties, obligations, and liabilities imposed by these Bylaws upon the successors and assigns of the Cooperative or a Member does not relieve the Cooperative or Member of the duties, obligations, and liabilities imposed by these Bylaws.

Section 9.12 - Waiver. The failure of the Cooperative or a Member to assert a right or remedy provided in these Bylaws does not waive the right or remedy provided in these Bylaws.

Section 9.13 - Lack of Notice. The failure of a Member or Director to receive notice of a Meeting, action, or vote does not affect, or invalidate, an action or vote taken by the Members or Board.