

Heart of Texas Electric Cooperative, Inc.

Bylaws

Article 1 – General

Section 1.1 – Usage. Within these Bylaws of Heart of Texas Electric Cooperative (“Cooperative”) as currently existing or as later amended (“Bylaws”), except as otherwise provided and subject to the context requiring otherwise:

- (1) words and phrases have their customary and ordinary meaning;
- (2) the singular use of a word includes the plural use and the plural use of a word includes the singular use;
- (3) the masculine use of a word includes the feminine and neutral uses, the feminine use of a word includes the masculine and neutral uses, and the neutral use of a word includes the masculine and feminine uses;
- (4) the present tense of a word includes the past and future tenses, and the future tense of a word includes the present tense;
- (5) the words “shall” and “must” are words of obligation, with “shall” meaning “has a duty to” and “must” meaning “is required to;”
- (6) the word “may” is a word of discretion meaning “has discretion to,” “is permitted to,” “is authorized to,” or “is entitled to;”
- (7) the words “may ... only” are words of limited discretion and prohibition;
- (8) the words “shall not,” “must not,” and “may not” are words of prohibition, with “shall not” meaning “has a duty not to,” “must not” meaning “is required not to,” and “may not” meaning “has no discretion to,” “is not permitted to,” “is not authorized to,” and “is not entitled to;”
- (9) an exception to a word of obligation is a word of discretion and an exception to a word of discretion is a word of prohibition;
- (10) the words “except as otherwise provided” and “subject to” are words of limitation and exception; and
- (11) the words “include,” “includes,” and “including” mean “include without limitation,” “includes without limitation,” and “including without limitation.”

Section 1.2 – Defined Terms. These Bylaws define certain words, phrases, and terms (“Defined Terms”). In general, Defined Terms are: (1) defined in a full sentence or part of a sentence; (2) capitalized, underlined, and enclosed within quotation marks when defined; (3) enclosed within parenthesis when defined in part of a sentence; and (4) capitalized when otherwise used in these Bylaws. Except as otherwise provided in these Bylaws and subject to the context requiring otherwise, Defined Terms have the meaning specified in the appropriate Bylaw.

The following Defined Terms are defined in the Bylaw noted in parenthesis:

- Amended (9.2); Annual Member Meeting (3.1); Applicant (2.2); Appraisal (8.1); Articles (1.3); Assets (2.2);
- Board (2.1); Board Committee (5.7); Board Executive Committee (5.8); Board Meeting (5.3); Bylaws (1.1); Bylaw Provision (9.8);
- C&E Committee (3.12); Capital Credits (7.2); Close Relative (4.12); Conflict of Interest Director Qualifications (4.3); Conflict of Interest Transaction (5.9); Consolidate (8.2); Consolidation Agreement (8.2); Cooperative (1.1); Cooperative Equipment (2.2); Cooperative Officer (6.8); Cooperative Official (2.5); Cooperative Purpose (2.9); Cooperative Service (2.1); Cooperative Service Area (4.1); Cooperative Subsidiary (4.3);
- Defined Terms (1.2); Director (2.6); Director Districts (4.1); Director Qualifications (4.3); Director Quorum (5.6); Director Removal Petition (4.8); Director Term (4.6); Director Written Consent (5.5);
- Electing Members (4.5); Electronic Document (9.1); Entity (2.1);
- General Director Qualifications (4.3); Governing Documents (2.2);
- Indemnification Advance (6.13); Indemnification Director or Officer (6.13); Indemnification Director Quorum (6.13); Indemnification Expenses (6.13); Indemnification Individual (6.13); Indemnification Party (6.13); Indemnification Proceeding (6.13); Indemnification Standard of Conduct (6.13);
- Joint Members (2.6); Joint Membership (2.6);
- Law (1.3); Location (2.1);
- Mail Ballot (3.8); Mail Ballot With Member Meeting (3.8); Member (2.3); Member Challenge (3.12); Member Classes (2.4); Member Committee (5.7); Member Demand (3.2); Member Equipment (2.2); Member Meeting (3.3); Member Meeting Issues (3.12); Member Meeting List (3.7); Member Meeting Waiver of Notice (3.8); Member Petition (4.4); Member Petition Nominations (4.4); Member Property (2.7); Member Quorum (3.9); Member Voting Document

- (3.11); Membership Director Qualifications (4.3); Membership List (2.12); Membership Procedures (2.2); Merge (8.2); Merger Agreement (8.2);
- New Entity (8.2); Nominating Committee (4.4); Nominating Committee Nominations (4.4); Nominating Members (4.4); Non-Member Non-Patron (7.6); Non-Member Patron (7.6);
 - Occupies (2.1); Officer (6.8); Other Officers (6.6);
 - Patron (7.2); Person (2.1); Provided (2.1);
 - Reasonable Reserves (7.7); Record Date (3.5); Regular Board Meeting (5.1); Regular Member Meetings (3.1); Removing Members (4.8); Required Officers (6.1);
 - Special Board Meeting (5.2); Special Member Meeting (3.2); Suspension Reasons (2.10);
 - Total Membership (3.2); Transfer (8.1);
 - Uses (2.1); and
 - Written Ballot (3.10).

Section 1.3 – Law and Articles. These Bylaws are subject to Law and the Articles of Incorporation of Heart of Texas Electric Cooperative (“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 Cooperative, including legally binding contracts between Cooperative and an Applicant or Member.

Article 2 – Cooperative Membership

Section 2.1 – Member Qualifications. Except as otherwise provided in these Bylaws, an individual or Entity may become and remain a member of the Cooperative only if: (1) the individual or Entity is a person with the capacity to enter legally binding contracts (“Person”); and (2) the Person consumes, receives,

purchases, or otherwise uses (“Uses”), or requests or agrees to Use when available, a Cooperative Service generated, transmitted, distributed, sold, supplied, furnished, or otherwise provided (“Provided”) by the Cooperative.

An “Entity” includes a domestic or foreign: cooperative; business or nonprofit corporation; sole proprietorship; limited liability company; partnership; trust; estate; and local, regional, state, federal, or national government, including an agency or division a government.

Except as otherwise provided in these Bylaws, a Person may not become or remain a member of the Cooperative if the Person resides at, engages in a business at, owns, controls, or otherwise occupies (“Occupies”) a residence, office, building, premise, structure, facility, or other location (“Location”):

- (1) Occupied by a second Person, other than a landlord, tenant, or similarly related Person, who: (A) is a Member, other than a Joint Member; or (B) owes the Cooperative for a Cooperative Service provided to or for the Location, if the first Person Occupied the Location when the Cooperative Provided the Cooperative Service; or**
- (2) previously Occupied by an Entity owned or controlled by the Person, which Entity owes the Cooperative for a Cooperative Service Provided to or for the Location.**

A Person, either individually or through an Entity not considered legally separate from the Person, may not hold more than one membership in the Cooperative. Persons Occupying a Location to or for which the Cooperative provides a Cooperative Service may not hold more than one membership in the Cooperative.

Section 2.2 – Membership Procedure. Except as otherwise provided in these Bylaws or by the Board, a qualified Person seeking to become or remain a Member (“Applicant”) must complete the procedures stated in this Bylaw to the Cooperative’s satisfaction (“Membership Procedures”) within ten (10) days of initially Using, or requesting or agreeing to Use, the first Cooperative Service Used or to be Used by the Applicant.

To become or remain a Member, an Applicant must complete and sign a written membership application provided by the Cooperative in which the Applicant agrees to:

- (1) comply with the Governing Documents;
- (2) ensure that Member Equipment connected to Cooperative Equipment, and any act or omission involving Member Equipment connected to Cooperative Equipment, comply with the Governing Documents;
- (3) be a Member;
- (4) at prices, rates, or amounts determined by the Board, and pursuant to the terms, conditions, time, and manner specified by the Cooperative, pay the Cooperative for Cooperative Services Provided to the Applicant or Provided to or for a Location Occupied by the Applicant, and for dues, assessments, fees, deposits, contributions, and other amounts required by the Governing Documents; and
- (5) the use of dues, assessments, contributions, or other amounts paid by the Applicant or Member to the Cooperative to pay for periodical subscriptions received by the Applicant or Member from the Cooperative or from an Entity in which the Cooperative is a member or owner.

The “Governing Documents” are the written membership application signed by an Applicant or Member and the following documents and actions, all as currently existing or as later adopted or amended: (1) all Law regarding or affecting the Cooperative’s property, property rights, and assets (“Assets”), the Cooperative’s operation, the Cooperative’s Members and Patrons, the Provision and Use of Cooperative Services, Cooperative Equipment, and Member Equipment connected to Cooperative Equipment; (2) the Articles; (3) these Bylaws; (4) the Cooperative’s service rules and regulations; (5) the Cooperative’s rate or price schedules; and (6) all rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or actions taken, adopted, promulgated, or approved by the Board. A copy of these Bylaws must be available at the Cooperative’s office.

“Cooperative Equipment” is a product, equipment, structure, facility, or other good owned, controlled, operated, or furnished by the Cooperative. “Member Equipment” is a product, equipment, structure, facility, or other good: (1) owned, controlled, operated, or furnished by an Applicant or Member; and (2) located on property owned, controlled, operated, or furnished by an Applicant or Member.

To become or remain a Member, an Applicant must: (1) give the Cooperative all information requested by the Cooperative, including the Applicant's photographic identification satisfactory to the Cooperative including the Applicant's federal tax identification number; and (2) complete any additional or supplemental document, contract, or action required by the Board for the Cooperative Service which the Applicant is Using or requesting or agreeing to Use. Except as otherwise provided in these Bylaws, the Cooperative will not release, disclose, or disseminate personally identifiable, proprietary, or confidential information regarding a Member.

Except as otherwise provided in these Bylaws or by the Board, an Applicant shall pay the Cooperative: (1) dues, assessments, fees, deposits, contributions, and other amounts required by the Governing Documents; and (2) outstanding amounts owed to the Cooperative by the Applicant.

Section 2.3 – Membership. Except as otherwise provided in these Bylaws or by the Board, a qualified Person becomes a member of the Cooperative ("Member") and consents to being a Member upon using, or requesting or agreeing to use, a Cooperative Service and completing the Membership Procedure. The Cooperative shall issue membership certificates to Members in a manner, method, and form determined by the Board. The Cooperative must provide each new Member a copy of these Bylaws.

If the Board determines that a qualified Person is unable to complete the Membership Procedure, then the Board may refuse, suspend, or terminate the Person's membership in the Cooperative. For other good cause determined by the Board, the Board may refuse a qualified Person membership in the Cooperative.

Except as otherwise provided in these Bylaws or by the Board in advance and in writing, a Cooperative membership, and a right or privilege associated with the Cooperative membership, may not be sold, purchased, assigned, disposed of, acquired, or otherwise transferred.

Section 2.4 – Member Classes. Based upon the Cooperative Service Used or to be Used by a Member, the Cooperative may group Members into classes ("Member Classes") by amendment to these Bylaws as provided herein.

In classifying or reclassifying Members: (1) A Member may not be a member of more than one Member Class; and (2) Upon the Cooperative learning that a Member is no longer qualified to be a member of a Member Class, the Cooperative may reclassify the Member and the Cooperative may not again reclassify the Member for at least thirty (30) days.

Except as otherwise provided in these Bylaws, a Member includes all Member Classes and all Members have the same rights and obligations.

Section 2.5 – Membership Agreement. A Member shall: (1) comply with the Governing Documents; and (2) 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. If a Member fails to comply with the Governing Documents, then, as provided in these Bylaws, the Cooperative may suspend or terminate the Member or a Cooperative Service Provided to the Member. 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 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 to the Dispute Resolution Committee and shall comply with according to the rules and procedures prescribed by the Board of Directors; 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.

In general, a Member is not liable to third parties for the Cooperative's acts, debts, liabilities, or obligations solely because of membership in the Cooperative. A Member may become liable to the Cooperative as provided in the Governing Documents or as otherwise agreed to by the Cooperative and the Member.

Section 2.6 – Joint Membership. Persons who qualify to be Members may hold a joint membership in the Cooperative (“Joint Membership”). A Joint Membership may consist only of individuals joined in a legally recognized relationship and occupying the same Location, each of whom qualifies to be a Member.

(a) Creating a Joint Membership. To become or remain joint members of the Cooperative, qualified Persons must jointly complete the Membership Procedures before initially Using, or requesting or agreeing to Use, the first Cooperative Service Used or to be Used by the Persons. Qualified Persons become joint members of the Cooperative (“Joint Members”) and consent to being Joint Members in the same manner as Members become Members and consent to being Members. As provided by the Board, a Member may convert the Member's individual membership to a Joint Membership with a qualified Person by written application to the Cooperative, signed by all of the proposed Joint Members.

(b) Rights and Obligations of Joint Members. Except as otherwise provided in these Bylaws, a Joint Member has and enjoys the rights, benefits, and privileges, and is subject to the obligations, requirements, and liabilities, of being a Member. Joint Members are jointly and severally liable for complying with the Governing Documents. As used in these Bylaws, and except as otherwise provided in these Bylaws, a membership includes a Joint Membership and a Member includes a Joint Member. For a Joint Membership:

- (1) notice of a meeting provided to a Joint Member constitutes notice to all Joint Members;
- (2) waiver of notice of a meeting signed by a Joint Member constitutes waiver of notice for all Joint Members;
- (3) the presence of a Joint Member or all Joint Members at a meeting constitutes the presence of one Member at the meeting;

- (4) the presence of a Joint Member at a meeting waives notice of the meeting for all Joint Members;
- (5) the presence of a Joint Member at a meeting may invalidate a Mail Ballot previously mailed by the Joint Member;
- (6) if only one Joint Member votes on a matter, signs a document, or otherwise acts, then the vote, signature, or action binds the Joint Membership and constitutes one vote, signature, or action;
- (7) if more than one Joint Member votes on a matter, signs a document, or otherwise acts, then each vote, signature, or action constitutes a vote, signature, or action divided pro-rata based upon the number of voting Joint Members;
- (8) except upon the cessation of the legally recognized relationship, the suspension or termination of a Joint Member constitutes the suspension or termination of all Joint Members; and
- (9) a Joint Member qualified to be a member of the Board (“Director”) may be a Director, regardless of whether another Joint Member is qualified to be a Director, but if more than one Joint Member is qualified to be a Director, then only one (1) Joint Member may be a Director.

(c) Terminating a Joint Membership. Joint Members shall notify the Cooperative in writing of a cessation of the legally recognized relationship. Upon determining or discovering the cessation of the legally recognized relationship :

- (1) if one Joint Member remains qualified to be a Member and continues to use a Cooperative Service at the same location, then the Joint Membership converts to a membership comprised of this person;
- (2) if more than one (1) Joint Member remains qualified to be a Joint Member and continues to use a Cooperative Service at the same location, then the Joint Membership converts to a membership comprised of these persons;
- (3) if all Joint Members remain qualified to be Joint Members and continue to use a Cooperative Service at the same location, then the Joint Membership converts to a membership of persons determined by Cooperative; and
- (4) if no Joint Member remains qualified to be a Member and continues to use a Cooperative Service at the same location, then the Joint Membership terminates.

Section 2.7 – Provision of Cooperative Service. A Member shall comply with a reasonable procedure required by the Cooperative regarding the Provision of a Cooperative Service. Based upon different costs of providing a Cooperative Service to different groups of Members, the Cooperative may charge each group a different rate or price for providing the Cooperative Service.

(a) Interruption of Cooperative Service. The Cooperative shall provide Cooperative Services to Members in a reasonable manner. **THE COOPERATIVE, HOWEVER, DOES NOT INSURE, GUARANTEE, OR WARRANT THAT IT WILL PROVIDE ADEQUATE, CONTINUOUS, OR NON-FLUCTUATING ELECTRIC ENERGY OR OTHER COOPERATIVE SERVICE. THE COOPERATIVE IS NOT LIABLE FOR DAMAGES, COSTS, OR EXPENSES, INCLUDING ATTORNEY FEES OR LEGAL EXPENSES, CAUSED BY THE COOPERATIVE PROVIDING INADEQUATE, NON-CONTINUOUS, OR FLUCTUATING ELECTRIC ENERGY OR OTHER COOPERATIVE 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 a Cooperative Service terminate upon delivery of the Cooperative Service to a Member.

(b) Safe and Protected Operation of Cooperative. A Member shall take or omit an act required by the Cooperative to safely, reliably, and efficiently operate the Cooperative and provide a Cooperative Service, which act involves: (1) a location occupied by the Member and to or for which the Cooperative provides a Cooperative 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 a protective device, and implement and follow a protective procedure, required by the Cooperative. As necessary to safely, reliably, and efficiently operate the Cooperative and provide a Cooperative Service, the Cooperative may temporarily suspend or terminate Provision of a Cooperative Service. A Member shall not tamper with, alter, interfere with, damage, or impair Cooperative Equipment. Except as otherwise provided by the Board, the Cooperative owns all Cooperative Equipment.

(c) Member Equipment Connected to Cooperative Equipment. Except as otherwise provided by the Board, before Member Equipment is connected to Cooperative

Equipment, the Cooperative must approve the connection in writing. Before and while Member Equipment is connected to Cooperative Equipment, the Member:

- (1) 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;
- (2) 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;
- (3) grants the Cooperative the right to inspect the Member Equipment and the connection to determine whether they comply with the Governing Documents;
- (4) grants the Cooperative the right to disconnect or temporarily operate Member Equipment that does not comply with the Governing Documents or that adversely impacts the Cooperative's ability to safely, reliably, and efficiently operate the Cooperative or provide a Cooperative Service; and
- (5) 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.

(d) 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 a Cooperative Service 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 a Cooperative Service to the Member upon determining or discovering:

- (1) that Cooperative Equipment used to Provide the Cooperative Service has been tampered with, altered, interfered with, damaged, or impaired;
- (2) that Member Equipment connected to Cooperative Equipment adversely impacts the Cooperative's ability to safely, reliably, and efficiently operate the Cooperative or Provide a Cooperative Service;
- (3) the unsafe condition of Cooperative Equipment or Member Equipment connected to Cooperative Equipment; or
- (4) an imminent hazard or danger posed by Cooperative Equipment or Member Equipment connected to Cooperative Equipment.

Section 2.8 – Use of Cooperative Service. Except as otherwise provided in these Bylaws or by the Board: (1) a Member shall Use a Cooperative Service Provided by the Cooperative; and (2) a Member shall not participate in a program, activity, or event regarding the Member's Use of a Cooperative Service or the value or quantity of a Cooperative Service Used by the Member. In Using a Cooperative Service, a Member shall comply with the Governing Documents.

(a) Payment for Cooperative Service. At prices, rates, or amounts determined by the Board, and pursuant to terms, conditions, time, and manner specified by the Cooperative, a Member shall pay the Cooperative for: (1) Cooperative Services Provided to the Member or Provided to or for a Location Occupied by the Member; and (2) dues, assessments, fees, deposits, contributions, or other amounts required by the Governing Documents. Dues, assessments, contributions, or other amounts paid by a Member to the Cooperative may pay for periodical subscriptions received by the Member from the Cooperative or from an Entity in which the Cooperative is a member or owner. When determining the value or quantity of a Cooperative Service Provided to a Member or Provided to or for a Location Occupied by the Member, the Cooperative may offset a Cooperative Service Provided by the Member against the Cooperative Service Provided to the Member or Provided to or for a Location Occupied by the Member.

If another Person Provides a Member a good or service related to a Cooperative Service Provided to the Member, then, before paying the other Person: (1) the Member shall pay the Cooperative; and (2) the Cooperative shall apply amounts received from or on behalf of the Member for or toward Cooperative Services Provided to the Member or Provided to or for a Location Occupied by the Member.

As provided by the Board: (1) a Member shall pay interest, compounded periodically, and late payment fees for amounts owed, but not timely paid, to the Cooperative; and (2) regardless of the Cooperative's accounting procedures, the Cooperative may apply amounts paid by a Member to all of the Member's accounts on a pro rata basis.

(b) Reduction of Cooperative Service. Except as otherwise provided in these Bylaws, unless the Cooperative receives one hundred eighty (180) days prior written notice from a Member that the Member intends to substantially reduce or cease the Member's Use of a Cooperative Service, and as provided by the Board, if a Member substantially reduces or ceases the Member's Use of a Cooperative Service, either singly or in combination, then the Cooperative may charge the Member, and the Member shall pay the Cooperative, the costs and expenses incurred by the Cooperative in relying upon the Member's pre-reduction or pre-ceasing Use of the Cooperative Service.

(c) Sale of Cooperative Service. Except as otherwise provided by the Board, a Member may not sell, lease, or otherwise transfer a Cooperative Service provided by the Cooperative or a right to a Cooperative Service provided by Cooperative.

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 condition 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: (1) purchasing, installing, constructing, inspecting, monitoring, operating, repairing, maintaining, removing, relocating, upgrading, or replacing Cooperative Equipment or Member Equipment connected to Cooperative Equipment; (2) Providing a Cooperative Service to a Member or one (1) or

more other Members; (3) monitoring, measuring, or maintaining a Cooperative Service Provided to a Member or one (1) or more other Members; (4) Providing electric energy to a Person or one (1) or more other Persons; (5) monitoring, measuring, or maintaining electric energy Provided to a Person or one (1) 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 a Cooperative Service.

Section 2.10 – Member Suspension. The Cooperative may suspend a Member for the following reasons (“Suspension Reasons”):

- (1) as provided in the Governing Documents;
- (2) as determined by the Board for good cause;
- (3) the Member is no longer qualified to be a Member;
- (4) the Member does not timely pay an undisputed amount due the Cooperative;
- (5) the Member violates or does not timely comply with the Governing Documents;
- (6) the Member ceases Using a Cooperative Service for three (3) consecutive months; or
- (7) the Member requests suspension.

Except as otherwise provided in these Bylaws or by the Board, a Member is suspended upon:

- (1) the Member’s request for suspension; or
- (2) the Cooperative: (A) providing the Member written notice of the Member’s possible suspension and the underlying Suspension Reason at least ten (10) days before the possible suspension; (B) notifying the Member that the Member has a right to, and allowing the Member an opportunity to, comment upon the Suspension Reason orally or in writing at least five (5) days after the Cooperative provides the notice; and (C) determining to suspend the Member.

The Cooperative must provide any written suspension notice to the Member's most current address shown on the Membership List.

Upon a Member's suspension:

- (1) other than the Cooperative's obligation to retire and pay Capital Credits, and other than the Cooperative's obligations regarding dissolution, the Cooperative's duties, obligations, and liabilities imposed by the Governing Documents for the Member cease and the Cooperative may cease Providing a Cooperative Service to the Member; and
- (2) other than the Member's right to receive retired and paid Capital Credits, and other than the Member's rights upon the Cooperative's dissolution, the Member forfeits and relinquishes rights provided in the Governing Documents, but remains subject to obligations imposed by the Governing Documents. In particular, a suspended Member may not receive notice, nominate, vote, remove, demand, request, petition, consent, or otherwise act as provided in the Governing Documents.

Unless the Cooperative determines otherwise, a Member's suspension is lifted upon the Member rectifying the underlying Suspension Reason within thirty (30) days of the suspension. The Cooperative may lift a Member suspension for good cause determined by the Board.

Section 2.11 – Member Termination. Except as otherwise provided by the Board, after 90 days, a suspended Member is terminated. Except as otherwise provided in these Bylaws, a Member is terminated upon: (1) the Cooperative learning of the Member's death, legal dissolution, or legal cessation of existence; (2) the Member requesting termination; or (3) the Cooperative learning that the Member has permanently ceased Using a Cooperative Service. Except as otherwise provided by the Board, a partnership Member continuing to Use a Cooperative Service is not suspended upon the death of a partner or following any other alteration in the partnership. A partner leaving a partnership Member remains liable to the Cooperative for amounts owed to the Cooperative by the Member at the time of the partner's departure.

Termination of a Member does not: (1) release the Member from debts, liabilities, or obligations owed to the Cooperative; or (2) release the Cooperative from the obligation to retire and pay Capital Credits to the former Member or obligations to the former Member regarding the Cooperative's dissolution. Upon a Member's termination from the Cooperative, and after deducting amounts owed to the Cooperative, the Cooperative must return to the Member any amount provided in the Governing Documents.

Section 2.12 – Membership List. The Cooperative shall maintain a record of current Members in a form permitting the Cooperative to: (1) alphabetically list the names and addresses of all Members; and (2) indicate the number of votes each Member is entitled to cast ("Membership List"). Except as otherwise provided by these Bylaws or the Board, a Person may not inspect, copy, or receive a copy of the Membership List or a similar list of Members.

Upon thirty (30) days prior written notice or request to the Cooperative, a Member who has been an unsuspended Member during the immediately preceding twelve (12) months may: (1) inspect and copy the Membership List at a reasonable time and location determined by the Cooperative; or (2) pay the Cooperative a reasonable charge determined by the Cooperative covering the labor and material cost of preparing and copying the Membership List, and the Cooperative must provide the Member a copy of the Membership List. A Member 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 Member may not: (1) use the Membership List for a purpose unrelated to the Member's interest as a Member; (2) use the Membership List to solicit money or property unless the money or property is used solely to solicit Member votes; (3) use the Membership List for a commercial purpose; or (4) sell the Membership List.

Article 3 – Member Meetings and Member Voting

Section 3.1 – Annual and Regular Member Meetings. Within a county in which the Cooperative Provides a Cooperative Service, the Cooperative: (1) shall annually hold

a meeting of Members (“Annual Member Meeting”); and (2) may regularly hold meetings of Members (“Regular Member Meetings”). The date, time, and location of an Annual Meeting of the Members shall be on the third Tuesday in October of each year, at 7:30 P.M. at the Cooperative principal office, or in the event the Annual Meeting cannot be held on the date, at the time, or at the place set forth herein, at a date, time and place determined by the Directors and properly noticed as set forth below. The Directors shall determine the date, time and location of Regular Member Meetings. The Cooperative’s failure to hold an Annual or Regular Member Meeting does not affect an action taken by the Cooperative.

At the Annual Member Meeting: (1) the President shall provide a written or oral report regarding the activities of the Cooperative; and (2) the Treasurer or Manager shall provide a written or oral report regarding the financial condition of the Cooperative .

Section 3.2 – Special Member Meetings. Within a county in which the Cooperative Provides a Cooperative Service, the Cooperative shall hold a special meeting of Members (“Special Member Meeting”) upon receiving: (1) a written or oral request from the Board or President; (2) a written request signed by at least two thirds (2/3) of the Board; or (3) one (1) or more written demands signed and dated within ninety (90) days after the first signature by at least ten (10) percent of the total number of unsuspended Members (“Total Membership”), with each page of each written demand requesting and describing the purpose of the meeting (“Member Demand”). The Board shall determine the date, time, and location of a Special Member Meeting.

If the Cooperative does not notify Members of a Special Member Meeting within ninety (90) days of receiving a Member Demand, 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.

Section 3.3 – Agenda, Attendance, and Action at Member Meetings. Except as otherwise provided in these Bylaws, before or at an Annual, Regular, 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.

Except as otherwise provided by the Board before or at a Member Meeting, the President: (1) shall preside at the Member Meeting; (2) may remove a Person from the Member Meeting for unruly, disruptive, or similar behavior; and (3) may exercise power reasonably necessary for efficiently and effectively conducting the Member Meeting.

Except as otherwise provided by the Board before or at a Member Meeting, Members attending the Member Meeting may consider, vote, or act only upon a matter described in the notice of the Member Meeting. Members may raise or discuss a matter at a Member Meeting if: (1) at least ten percent (10%) of the Members sign one or more written requests to raise or discuss the matter; and (2) the Cooperative receives all written requests at least thirty (30) days before the Member Meeting.

Section 3.4 – 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 notice of a Member Meeting personally or by mail to all Members entitled to attend 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 thirty (30) days, before the meeting. For a Special Member Meeting, this notice must state the purpose of the meeting and describe any matter to be considered or voted or acted upon at 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. 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.

Except as otherwise provided in these Bylaws, the Cooperative shall notify Members of a Member Meeting adjourned to another date, time, or location unless: (1) the meeting is adjourned to another date occurring within sixty (60) days following the Record Date for the original Member Meeting; and (2) the new date, time, or location is announced at the Member Meeting prior to adjournment.

Section 3.5 – 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. If a Member is suspended after the Record Date, then the Member may not sign a document, receive a document, or vote.

The Board may fix the Record Date, but the Record Date must not be more than thirty (30) 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 provide by the Board, the Record Date: (1) for signing a Member petition, request, demand, consent, appointment, or similar document is the date Cooperative receives the signed document; (2) for receiving a ballot, notice, or similar document is the date ten (10) days before the document is due or required; and (3) voting at a Member Meeting is the date of the Member Meeting.

The Record Date for determining the Total Membership and the Members entitled to notice of, or to vote at, a Member Meeting is effective for a Member Meeting adjourned to a date not more than thirty (30) days after the Record Date for determining the Members entitled to notice of the original Member Meeting.

Section 3.6 – Member Meeting List. For a Member Meeting, the Cooperative shall prepare and maintain an alphabetical list stating the name and address of each Member entitled to receive notice of and to vote at the Member Meeting and the number of votes each Member is entitled to cast (“Member Meeting List”). The Cooperative shall make the Member Meeting List available at the Member Meeting and a Member entitled to vote at the meeting may inspect the Member Meeting List at any time during the meeting. Except as otherwise provided in these Bylaws or by the Board, a Person may not inspect the Member Meeting List.

Except as otherwise provided by the Board, a Member may not copy or receive a copy of the Member Meeting List.

A Member may inspect the Member Meeting List only if, as determined by the Cooperative: (1) the Member acts in good faith and for a proper purpose related to the Member Meeting; and (2) the Member Meeting List is directly connected with the Member’s purpose.

Except as otherwise provided by the Board, a Member may not: (1) use the Member Meeting List for a purpose unrelated to the Member Meeting; (2) use the Member Meeting List to solicit money or property unless the money or property is used solely to solicit Member votes at the Member Meeting; (3) use the Member Meeting List for a commercial purpose; or (4) sell the Member Meeting List. Upon providing the Cooperative satisfactory evidence that a Person is a properly authorized agent of a Member, the Person may act on the Member's behalf.

Section 3.7 – Member Waiver of Notice. A Member may waive notice of a Member Meeting, or of a matter to be considered, or voted or acted upon, at a Member Meeting, by signing and delivering to the Cooperative a written waiver of notice ("Member Meeting Waiver of Notice") either before the Member Meeting or within three (3) days after the Member Meeting.

Unless a Member objects to holding a Member Meeting, or to transacting business at the Member Meeting, the Member's attendance in person or voting by Mail Ballot on a matter considered at the Member Meeting waives the Member's objection to lack of notice, or to defective notice, of the Member Meeting. Unless a Member objects to considering, or voting or acting upon, a matter at a Member Meeting, the Member's attendance in person or voting by Mail Ballot on the matter considered at the Member Meeting waives the Member's objection to considering, or voting or acting upon, the matter at the Member Meeting.

Section 3.8 – Member Voting by Mail Ballot. Except as otherwise provided in these Bylaws, a Member may vote or act by mail only as provided in this Bylaw and in a manner determined by the Board.

(a) Mail Ballot With Member Meeting. A Member may vote or act by mail only on an action that may be taken at the Member Meeting only as provided in these Bylaws in conjunction with a Member Meeting by the Cooperative delivering a mail ballot ("Mail Ballot With Member Meeting") to each Member entitled to vote on the matter. A Member submitting a completed Mail Ballot With Member Meeting may not vote at the Member Meeting regarding a matter described in the Mail Ballot With Member Meeting. The Cooperative may count completed Mail Ballots With Member Meeting received before the Member Meeting in determining whether a Member Quorum exists at the Member Meeting. The Cooperative must count as a Member's vote a properly completed Mail Ballot With Member Meeting received on, or before, the time and date stated in the Mail Ballot With Member Meeting.]

- (b) Mail Ballot. A Mail Ballot With Member Meeting (“Mail Ballot”) must:
- (1) 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;
 - (2) state the date of a Member Meeting at which Members are scheduled to vote or act on the matter;
 - (3) provide an opportunity to vote for or against, or to abstain from voting on, the matter;
 - (4) instruct the Member how to complete and return the Mail Ballot; and
 - (5) state the time and date by which the Cooperative must receive the completed Mail Ballot.

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

Material soliciting approval of a matter by Mail Ballot must: (1) contain, or be accompanied by, a copy or summary of the matter; (2) state the Member Quorum required to vote on the matter; (3) for all matters other than the election of Directors, state the percentage of approvals necessary to approve the matter; and (4) state the time and date by which the Cooperative must receive a completed Mail Ballot.

Section 3.9 – Member Quorum. A quorum of Members is one hundred fifty (150) of the Members entitled to vote on a matter (“Member Quorum”).

If there is less than a Member Quorum at a Member Meeting, then a majority of Members attending the Member Meeting in person may adjourn the Member Meeting to a date no more than ninety days following the original Member Meeting.

Section 3.10—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. If an individual Member, other than a Joint Member, dies without the Cooperative's knowledge, then, until the Cooperative learns of the Member's death or terminates the Member's membership, a Close Relative of the Member Using a Cooperative Service at the Location previously Occupied by the Member may cast the Member's vote.

Except as otherwise provided in these Bylaws, Members approve a matter if: (1) a Member Quorum is present in person or voting by Mail Ballot; and (2) a majority of Members present in person or voting by Mail Ballot, who are entitled to vote on the matter, vote in favor of the matter. To approve a matter, the votes cast for the matter must equal or exceed a majority of the Member Quorum. To increase or decrease the vote required to approve a matter, the Members must approve an amendment to this Bylaw.

At a Member Meeting, the individual presiding over the Member vote may require the Members to vote by voice. If the individual presiding over the Member vote determines, in good faith, that a voice vote is not sufficient to accurately determine the vote results, then the Members shall vote by written ballot ("Written Ballot"), or by any other reasonable manner determined by the individual presiding over the Member vote. Members may not cumulate votes. Agreements signed by Members providing the manner in which a Member will vote are not valid.

Section 3.11— Accepting and Rejecting Member Voting Documents. For a Mail Ballot Member Meeting Waiver of Notice, or other document allegedly executed by, or on behalf of, a Member (collectively, "Member Voting Document"):

- (1) the Cooperative may accept, and give effect to, the Member Voting Document if: (A) the name signed on the Member Voting Document corresponds to a Member's name, and the Cooperative acts in good faith; or (B) the Cooperative reasonably believes the Member Voting Document is valid and authorized;
- (2) the Cooperative may reject, and not give effect to, the Member Voting Document if the Cooperative: (A) acts in good faith; and (B) has a reasonable basis for

doubting the validity of the signature on the Member Voting Document or the validity of the signatory's authority to sign on behalf of the Member; and

- (3) the Cooperative, and a Cooperative Member or Official, are not liable to a Member for accepting or rejecting a Member Voting Document as provided in this Bylaw.

Section 3.12– Credentials and Election Committee. Before a Member Meeting, the Board shall appoint a Credentials and Election Member Committee (“C&E Committee”) for the Member Meeting consisting of an uneven number of Members between three and nine.

(a) C&E Committee Members. A C&E Committee member must not be: (1) a member of the Nominating Committee; or (2) an existing, or a Close Relative of an existing, Cooperative Official or known Director candidate. As determined by the Board, the Cooperative may reasonably compensate or reimburse C&E Committee members.

(b) C&E Committee Duties. During, or within a reasonable time before or after, the Member Meeting for which the C&E Committee was appointed, the C&E Committee shall:

- (1) elect a chairperson and secretary;
- (2) establish, or approve, the manner or method of Member registration and voting;
- (3) oversee or supervise Member registration and voting, and the tabulation of Member votes; and
- (4) consider and decide all questions, issues, or disputes regarding: (A) Member registration and voting; (B) the tabulation of Member votes; (C) Director nominations; and (D) whether a Director nominee or newly elected Director satisfies the Director Qualifications (collectively, “Member Meeting Issues”).

The C&E Committee may meet, consider, or decide Member Meeting Issues, or otherwise act, only if a majority of the C&E Committee members are present. A C&E Committee decision or action requires a vote of at least a majority of the C&E Committee

members voting. Except as otherwise provided in this Bylaw, C&E Committee decisions or actions during, or within a reasonable time before or after, a Member Meeting are final. At the Cooperative's expense, the Cooperative shall make available legal counsel to the C&E Committee. As used in this Bylaw, Member voting includes voting by Mail Ballot, Written Ballot or voice.

(c) Member Challenge. A Member entitled to vote at a Member Meeting may comment upon a Member Meeting Issue, or challenge the C&E Committee's decision or action regarding a Member Meeting Issue, by filing a written description of the Member's comment or challenge ("Member Challenge") with the Cooperative within three business days following the Member Meeting addressed by the Member Challenge.

Within thirty days of receiving a Member Challenge, the C&E Committee shall:

- (1) as determined by the C&E Committee, meet and receive oral or written evidence from a Member, or legal counsel representing a Member, directly and substantially implicated in, or affected by, the Member Challenge; and
- (2) consider, decide, and rule on the Member Challenge.

The C&E Committee's decision regarding a Member Challenge is final. Upon written request by a Member received by the C&E Committee within thirty (30) days of a C&E Committee decision or action, the C&E Committee shall prepare a written report summarizing and explaining the C&E Committee's decision or action. The failure of the Cooperative or the C&E Committee to act as required by this Bylaw shall not, by itself, affect a vote, Director election, or other action taken at a Member Meeting.

Article 4 – Board of Directors

Section 4.1 – Director Districts. Based upon geographic, population, membership, or other equitable consideration determined by the Board, the Board may divide the general area in which Members Occupy a Location at or for which Members Use a Cooperative Service ("Cooperative Service Area") into a reasonable number of districts that equitably represent the Members ("Director Districts").

If a Member Uses a Cooperative Service at Locations in more than one (1) Director District, then (1) if the Member is an individual and resides within the Cooperative Service Area, the Member Uses a Cooperative Service at a Location in the Director District in which the Member resides; and (2) if the Member is an individual and does not reside within the Cooperative Service Area, or if the Member is an Entity, the Member Uses a Cooperative Service at a Location in the Director District in which the Member first Used, and continues to Use, a Cooperative Service.

Periodically, based upon geographic, population, membership, 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 sixty (60) days following a Director District revision, and at least thirty (30) days before the next Annual Member Meeting, the Cooperative must notify, in writing, Members affected by the Director District revision. Director District revisions are effective on the date the Cooperative releases written 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 no fewer than seven (7) Members or individuals authorized by Entity Members: (A) Using a Cooperative Service at a Location within each Director District; (B) nominated by the Members Using a Cooperative Service at a Location within the Cooperative Service Area; and (C) elected by the Members Using a Cooperative Service at a Location within the Cooperative Service Area;

The Board may not be composed of more than one (1) individual authorized by Entity Members. An Entity Member may not authorize more than one (1) Director. A Director authorized by an Entity Member must reside in the Cooperative Service Area.

Except as otherwise provided in these Bylaws:

- (1) Cooperative powers must be exercised by the Board, or under the Board's authority;
- (2) Cooperative affairs must be managed under the Board's direction; and

- (3) the Board shall reasonably administer and enforce these Bylaws, or shall ensure that these Bylaws are reasonably administered and enforced.

To the extent the Governing Documents authorize a Person to exercise a power that the Board would otherwise exercise, the Person exercising the power has, and is subject to, the same duties, responsibilities, and standards of care of the Board.

Section 4.3 – Director Qualifications. A Director or Director candidate must comply with this Bylaw, except for the initial Directors set forth in the Articles of Consolidation.

(a) General Director Qualifications. To become or remain a Director, a Person must comply with the following general qualifications (“General Director Qualifications”):

- (1) be an individual;
- (2) have the capacity to enter legally binding contracts;
- (3) while a Director, and during the five (5) years immediately before becoming a Director, not: (A) be convicted of a felony or (B) plead guilty to a felony; and
- (4) Comply with any other reasonable qualifications determined by the Board .

(b) Membership Director Qualifications. To become or remain a Director, an individual must comply with the following membership qualifications (“Membership Director Qualifications”):

- (1) while a Director and during the five (5) years immediately before becoming a Director: (A) be an unsuspended Member; (B) permanently Occupy, and Use a Cooperative Service at, a Location within the Director District from which the Director is nominated or elected;

- (2) while a Director: (A) be a Member; and (B) be authorized by an Entity Member that, while a Director and during the five years immediately before becoming a Director, is unsuspended, permanently Occupies and Uses a Cooperative Service at a Location within the Director District from which the Director is nominated or elected; or
- (3) be designated or appointed by the Board.

(c) Conflict of Interest Director Qualifications. To become or remain a Director, an individual must comply with the following conflict of interest qualifications ("Conflict of Interest Director Qualifications"):

- (1) while a Director and during the fifteen (15) years immediately before becoming a Director, not be an employee of the Cooperative or its predecessor or successor cooperatives or an employee of an entity controlled by the Cooperative or in which the Cooperative owns a majority interest ("Cooperative Subsidiary");
- (2) 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 income, directly or indirectly from the Cooperative or a Cooperative Subsidiary;
- (3) 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 providing a good or service similar to a good or service provided by the Cooperative or a Cooperative Subsidiary; or be in a business engaged in selling electrical or plumbing appliances, fixtures or supplies to among others the members of the cooperative.
- (4) while a Director, or for one (1) year prior to becoming a Director, not be a Close Relative of a Director or Cooperative employee; or an employee of an entity controlled by the Cooperative or in which the Cooperative owns a majority interest ("Cooperative Subsidiary");
- (5) 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, or is a director or officer; and

- (6) 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 percent (10%) of annual gross income from an entity that: (A) advances the entity's pecuniary interest by providing a good or service similar to a good or service provided by the Cooperative or a Cooperative Subsidiary; or (B) receives more than ten percent (10%) of its annual gross income directly or indirectly from the Cooperative or a Cooperative Subsidiary or Members.
- (7) While a Director holds an elective public office for which a salary is paid.

(d). Director Disqualification. After being elected, designated, or appointed, if a Director does not comply with all General Director Qualifications, Membership Director Qualifications, and Conflict of Interest Director Qualifications (collectively, "Director Qualifications"), then, except as otherwise provided by the Board for good cause, the Board may disqualify the Director and the individual is no longer a Director if:

- (1) the Board notifies the Director in writing of the basis for, and provides the Director an opportunity to comment regarding, the Board's proposed disqualification; and
- (2) 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 approves 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 by 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 shall nominate individuals as provided in this Bylaw. At least thirty (30) days before the nomination of individuals for Director positions, the Cooperative must provide Members with this Bylaw section.

(a) Nominating Committee Nominations. At least sixty (60) days before the Member Meeting, the Board shall appoint a Member Committee consisting of at least one (1) Member from each Director District (“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 thirty (30) days before the Member Meeting at which Members are scheduled to elect Directors, and on behalf of the Nominating Members, the Nominating Committee shall:

- (1) nominate at least one (1) individual to run for election for each Director position nominated by 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.

(b) Member Petition Nominations. In addition to Nominating Committee Nominations, Nominating Members may nominate, through petition, individuals to run for election for a Director position nominated by Nominating Members and scheduled for election by Members at the Member Meeting (“Member Petition Nominations”). Nominating Members make Member Petition Nominations by delivering to the Cooperative at least fifteen (15) business days before the Member Meeting a writing for each Member Petition Nomination (“Member Petition”):

- (1) listing, on each page of the Member Petition, the name of the Member Petition Nominee;

- (2) indicating, on each page of the Member Petition, the Director position for which the Member Petition Nominee will run; and
- (3) containing the printed names, addresses, and telephone numbers, and original dated signatures signed within sixty days of the first signature, of at least fifty (50) Nominating Members from the District being petitioned for.

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

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

(d) Notice of Director Nominations. At least ten (10) days before a Member Meeting at which Members are scheduled to elect Directors, the Cooperative shall notify Members of the:

- (1) director positions scheduled for election by Members;
- (2) names and corresponding Director positions of all Nominating Committee Nominations; and
- (3) 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 Using a Cooperative Service at a Location within the Cooperative Service Area (“Electing Members”), the Electing Members shall elect the Director from the Nominating Committee Nominations or Member Petition Nominations by a plurality of votes cast by Electing Members with a Member Quorum present in person or voting by Mail Ballot. Electing 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. At least thirty (30) days

before the nomination of individuals for Director positions, the Cooperative must provide Members with this Bylaw section.

In addition to other information required by these Bylaws, a Mail Ballot for electing Directors must:

- (1) list the names, corresponding Director positions, and manner of nomination for Nominating Committee Nominations and Member Petition Nominations; and
- (2) identify a Director whose Director Term is expiring.

A drawing by lot must determine the order, listing, and placement of names on a Mail Ballot, Written Ballot, or similar ballot.

Section 4.6 – Director Terms. Except as otherwise provided in these Bylaws or in the Articles of Consolidation, a Director’s term is three years or until a successor Director is elected, designated, or appointed (“Director Term”). A Director’s term begins: (1) after the individual consents to being elected, designated, or appointed as a Director; and (2) at the beginning of the first Board Meeting held after a successor Director is elected. A Director’s term ends after: (1) a successor Director consents to being elected, designated, or appointed as a Director; and (2) immediately after a successor Director’s election, designation, or appointment.

The Cooperative must 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.

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. Except as a later date is otherwise provided in a written notice of resignation, a Director’s resignation is effective when the Board, President, or Secretary receives the written notice of resignation. If a Director’s resignation is effective at a later date, and if the successor Director does not take office until the effective date of the

Director's resignation, then the pending Director vacancy may be filled before the effective date of the Director's resignation.

Section 4.8 – Director Removal. Except as otherwise provided in these Bylaws, the Board may remove a Director designated or appointed by the Board for any reason. As provided in this Bylaw, and for cause, the Members Using a Cooperative Service at a Location within the Cooperative Service Area ("Removing Members") may remove a Director for whom the Removing Members may have voted.

(a) 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"):

- (1) identifying the Director on each page;
- (2) explaining, on each page, the basis for the Director's removal; and
- (3) as Removing Members existed on the Director Removal Petition date, 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%) of the Removing Members.

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.

(b) Member Meeting. If the Board determines that the Director Removal Petition complies with this Bylaw, then the Cooperative shall notice and hold a 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) Members may elect a successor Director.

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

- (1) before a Member vote, evidence must be presented supporting the basis for removing the Director;
- (2) 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
- (3) after the Director's presentation and Member discussion, the Removing Members must vote whether to remove the Director.

If a majority of Removing Members voting vote to remove the Director, then the Director is removed effective the time and date of the Member vote. At the Member Meeting, the Removing Members may elect a new Director to succeed the removed Director without complying with the Director Nomination or notice provisions of these Bylaws. A successor Director elected by the Removing Members 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. Members may not vote to remove a Director by Mail Ballot.

The Board may not remove a Director for lawfully opposing a Transfer of Cooperative Assets or a Cooperative dissolution. Removing Members may not remove a Director for lawfully opposing a Transfer of Cooperative Assets or a Cooperative dissolution.

Section 4.9 – Director Vacancy. Except as otherwise provided in these Bylaws:

- (1) by an affirmative vote of the majority of remaining Directors, the Board may fill a vacant Director position, including a vacant Director position resulting from increasing the number of Directors; and
- (2) a Director elected, designated, or appointed by the Board to fill a vacant Director position serves the unexpired Director Term of the vacant Director position.

If a Director vacancy will occur at a later specified date, then the Board may fill the vacancy before the vacancy occurs and the new Director takes office when the vacancy occurs. An individual elected, designated, or appointed to fill a vacant Director position must comply with the Director Qualifications. Except as otherwise provided in these Bylaws, and as used in this Bylaw, “vacant Director position” and “Directory vacancy” do not include Director positions vacated due to an expired Director Term.

Section 4.10 – Director Compensation. As determined or approved by the Board, the Cooperative may reasonably pay or reimburse Directors a fixed fee and for expenses actually and necessarily incurred 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 fee or expense.

Section 4.11 – Director Conduct. In general:

(a) Director Standard of Conduct. A Director is not deemed a trustee regarding the Cooperative 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:

- (1) in good faith;
- (2) in a manner the Director reasonably believes to be in the Cooperative’s best interests;
- (3) 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
- (4) 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.

(b) 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. 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 5 – 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. A Director not attending a Board Meeting at which the Regular Board Meeting date, time, or location is changed is entitled to receive notice of the Regular Board Meeting change at least two (2) days before the next Regular Board Meeting. All Directors are entitled to receive notice of a President’s change in a Regular Board Meeting date, time, or location at least one day before the changed Regular Board Meeting.

Section 5.2 – Special Board Meetings. The Board, the President, or at least three (3) Directors may call a special meeting of the Board (“Special Board Meeting”) by providing each Director at least one (1) day prior written or oral notice indicating the date, time, and location 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, or out of, a state in which the Cooperative Provides a Cooperative Service; and

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, a Director may waive notice of a Board Meeting by delivering to the Cooperative a written waiver of notice signed by the Director and later filed with the Board Meeting minutes or the Cooperative’s records. 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, unless the Director:

- (1) upon arriving at the Board Meeting or before the vote on a particular matter, objects to lack of, or defective, notice of the Board Meeting or a matter being considered at the Board Meeting; and
- (2) does not vote for, or assent to, an objected matter.

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) taken by all Directors; and (2) evidenced by one or more written consents (“Director Written Consent”): (A) describing the action taken; (B) signed by each Director; and (C) included with the Cooperative’s Board Meeting minutes. Except as 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 a majority 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. A Director may not vote by proxy.

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 two (2) 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.

(a) 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.

(b) Conduct of Committee Meetings. To the same extent as the Board and 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.

(c) 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 comprised of the President, Vice-President, Secretary, and Treasurer ("Board Executive Committee"); and

The Board Executive Committee: (1) is a Board Committee; (2) may exercise management of the current and ordinary business of the Cooperative, and other duties as authorized by the Board and permitted under these Bylaws; and (3) at the next Board Meeting following an exercise of Board authority, must report to the Board regarding the Board Executive Committee's exercise of Board authority.

Section 5.9 – Conflict of Interest Transaction. A conflict of interest transaction is a transaction with the Cooperative in which a Director has a direct or indirect interest ("Conflict of Interest Transaction").

(a) Indirect Interest. A Director has an indirect interest in a transaction with the Cooperative if at least one party to the transaction is another Entity: (1) in which the Director has a material interest or is a general partner; or (2) of which the Director is a director, officer, or trustee.

(b) Approval of Conflict of Interest Transaction. Regardless of the presence or vote of a Director interested in a Conflict of Interest Transaction, a Conflict of Interest Transaction may be approved, and a Board Quorum or Member Quorum satisfied, if the Conflict of Interest Transaction's material facts, and the Director's interest, are:

- (1) disclosed or known to the Board or Board Committee, and a majority of more than one (1) Director or Board Committee member with no interest in the Conflict of Interest Transaction votes to approve the Conflict of Interest Transaction; or
- (2) disclosed or known to the Members, and a majority of Members not voting under the control of a Director or Entity interested in the Conflict of Interest Transaction votes to approve the Conflict of Interest Transaction.

(c) Fair Conflict of Interest Transaction. A Conflict of Interest Transaction that is fair when entered is not: (1) voidable; or (2) the basis for imposing liability on a Director interested in the Conflict of Interest Transaction.

Article 6 – 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 elect Required Officers: (1) at the first Regular Board Meeting following each Annual Member Meeting, or as soon after each Annual Member Meeting as reasonably possible and convenient; (2) by affirmative vote of a majority of Directors in office; and (3) by secret written ballot without prior nomination.

A Required Officer must be a Director. One (1) 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. A Required Officer may delegate duties and responsibilities to a non-Director Cooperative Official.

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.

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, improper refusal, 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 these Bylaws, the Secretary:

- (1) shall be responsible for preparing minutes of Board and Member Meetings;
- (2) shall be responsible for authenticating the Cooperative's records;
- (3) may affix the Cooperative's seal to a document authorized or approved by the Board or Members; and
- (4) 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.

Section 6.6 – Other Officers. The Board may elect or appoint other officers ("Other Officers"). The same individual may simultaneously hold more than one (1) office. Except as otherwise provided by Law, this individual may not execute, acknowledge, or verify a document in more than one (1) capacity. Other Officers:

- (1) may be Directors, Cooperative employees, or other individuals;
- (2) must be elected or appointed by the affirmative vote of a majority of current Directors;
- (3) may be elected by secret written ballot and without prior nomination;
- (4) may assist Required Officers; and
- (5) shall perform all duties, shall have all responsibilities, and may exercise all authority, prescribed by the Board.

Section 6.7 – Responsibility for Corporate Reports. The Cooperative’s principal executive officer or officers and the principal financial officer or officers, or persons performing similar functions, must certify in each annual or quarterly report filed or submitted to the Members or a lender or government agency:

- (1) the signing officer has reviewed the report;
- (2) based on the officer’s knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading;
- (3) based on the officer’s knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the Cooperative as of, and for, the periods presented in the report;
- (4) the signing officers: (A) are responsible for establishing and maintaining internal controls;(B) have designed the internal controls to ensure that material information relating to the Cooperative and its consolidated subsidiaries is made known to the officers by others within those entities, particularly during the period in which the periodic reports are being prepared; (C) have evaluated the effectiveness of the Cooperative’s internal controls as of a date within 90 (90) days prior to the report; and (D) have presented in the report their conclusions about the effectiveness of their internal controls based on their evaluation as of that date;

- (5) the signing officers have disclosed to the Cooperative’s auditors and the Board Audit Committee (or persons fulfilling the equivalent function): (A) all significant deficiencies in the design or operation of internal controls which could adversely affect the Cooperative’s ability to record, process, summarize, and report financial data and have identified for the Cooperative’s auditors any material weaknesses in internal controls; and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer’s internal controls; and
- (6) the signing officers have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Section 6.8 – Officer Resignation and Removal. At any time, a Required Officer or Other Officer (collectively, “Officer” or “Cooperative Officer”) may resign. To resign, an Officer must deliver to the Cooperative or Board an oral or written resignation. Except as a later effective date is otherwise provided in the Officer resignation, an Officer resignation is effective when received by the Cooperative or Board. If an Officer resignation is effective at a later date, then the Board may fill the vacant Officer position before the later effective date, but the successor Officer may not take office until the later effective date. At any time, the Board may remove an Officer if the Board determines that the removal will serve the best interests of the Cooperative.

Section 6.09– Officer Contract Rights. The election or appointment 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 6.10– Authority to Execute Documents. On the Cooperative’s behalf, two (2) 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 to sign, execute, and acknowledge a document on the Cooperative’s behalf.

Section 6.11– Officer Compensation. Except as otherwise provided by the Board or in a Bylaw addressing Director compensation, reimbursement, salaries, or benefits, the

Cooperative may reasonably compensate, reimburse, pay a salary to, or provide insurance or other benefits to, an Officer.

Section 6.12– Bonds. At the Cooperative’s expense, the Cooperative may purchase a bond covering a Cooperative Official.

Section 6.13– Indemnification. As determined by the Board:

(a) Indemnification Director or Officer. The Cooperative shall indemnify: (1) an individual who is or was a Director or Officer; (2) an individual who, while a Director or Officer, is or was serving at the Cooperative’s request as a director, officer, partner, trustee, employee, or agent of another Entity; or (3) the estate or personal representative of such an individual (collectively, “Indemnification Director or Officer”) who was wholly 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 counsel fees (“Indemnification Expenses”) actually incurred by the Indemnification Director or Officer in connection with the Indemnification Proceeding.

(b) Indemnification Individual. The Cooperative may 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, improper personal benefit to the Indemnification Individual, 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 counsel fees, actually incurred in connection with any other Indemnification Proceeding incurred in the 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.

(c) 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:

- (1) 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
- (2) 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 6.15 – 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 7 – 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.

(a) 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.

(b) 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 operating earnings from Providing the Cooperative Service during the fiscal year. Operating earnings mean the amount by which the Cooperative's operating revenues from Providing a Cooperative Service exceed the Cooperative's operating 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 non-operating earnings. Non-operating earnings mean the amount by which the Cooperative's non-operating revenues during a fiscal year exceed the Cooperative's non-operating expenses during the fiscal year, less any amount needed to offset an operating loss.

(c) 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. To secure a Patron's obligation to pay amounts owed to the Cooperative, including any compounded interest and late payment fee, and in return for the Cooperative providing a Cooperative Service to the Patron, the Cooperative has a security interest in Capital Credits allocated to the Patron. The Patron authorizes the Cooperative to perfect this security interest by filing a financing statement.

(d) 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.

(e) 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 of the 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: (1) the Cooperative must receive a written request signed by the Patron to assign or transfer the Capital Credits; (2) the Patron and the assignee or transferee must comply with all reasonable requirements specified by the Cooperative; and (3) the Board must approve the assignment or transfer.

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.

(a) 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.

(b) 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 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. The Cooperative may not specially retire and pay Capital Credits allocated to an Entity Patron or former Entity Patron during or after the Entity's dissolution, liquidation, or other cessation of existence. Except as otherwise provided in this Bylaw, the Cooperative may specially retire and pay some or all Capital Credits allocated to Patrons and former Patrons.

(c) 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 setoff an amount owed to the Cooperative by the Patron or former Patron, including any compounded interest and late payment fee, by reducing the allocated or net present value amount of retired Capital Credits paid to the Patron or former Patron by the amount owed to the Cooperative.

(d) 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.

(e) 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 only 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 .

(g) Unclaimed Capital Credits. The Cooperative may regularly impose a reasonable dormancy or service charge for each month a Patron or former Patron fails to claim Capital Credits retired and paid to the Patron or former Patron. Through a voluntary written assignment signed by a Patron or former Patron, which assignment is revocable and is not a condition of the Cooperative Providing a Cooperative Service to the Patron, the Patron or former Patron may assign or transfer to the Cooperative any past, present, or future Capital Credits retired and paid to the Patron or former Patron, but not claimed by the Patron or former Patron within three (3) years of retirement and payment, provided the Cooperative undertook or undertakes reasonable measures to notify the Patron or former Patron of the retired and paid Capital Credits.

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 Patron’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) to an Entity operating on a cooperative basis and Providing electric energy; or (7) 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 independent appraisers, each of whom, within thirty days 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 thirty (30) days 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) At least two-thirds (2/3) of the Total Membership approves the proposed Transfer;
- (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; and
- (7) 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 a Cooperative Service (“Consolidate or Merge”). To Consolidate or Merge, the Cooperative must comply with this Bylaw.

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

- (1) terms and conditions of the Consolidation or Merger;
- (2) name of each Entity Consolidating or Merging with the Cooperative;
- (3) name of the new or surviving Consolidated or Merged Entity (“New Entity”);

- (4) 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;
- (5) number of directors of the New Entity, which must equal or exceed seven (7);
- (6) date of the New Entity's annual meeting;
- (7) names of New Entity directors who will serve until the New Entity's first annual meeting; and
- (8) other information required by Law.

(b) Member Approval. To Consolidate or Merge:

- (1) after the Board approves a Consolidation or Merger Agreement, a majority of the Members voting in person or by Mail Ballot, if permitted by law, must approve the Consolidation or Merger Agreement.

(c) 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 and any material soliciting Member approval of the Consolidation or Consolidation Mail Ballot must contain, or be accompanied by, a summary or copy of the Consolidation or Merger Agreement.

(d) 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. After a Consolidation or Merger Agreement is approved, and before articles of Consolidation or Merger are filed, the Board or Members may abandon the Consolidation or Merger.

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, the remaining assets will be distributed to the Members pro-rata or as otherwise provided by statute.

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, and receive 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; and
- (2) an Electronic Document sent to or received 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 an Electronic Document to, or receiving 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.

An Electronic Document electronically sent to a Member or Director or former Member at the Member or Director or former Member’s last known electronic address is considered sent and received on the date sent by the Cooperative. An Electronic Document electronically received from a Member or Director or former Member is considered sent and received on the date received by the Cooperative.

Section 9.2 – Bylaw Amendment. Except as otherwise provided in these Bylaws, these Bylaws may be adopted, amended, or repealed (“Amended”) only by the vote of a majority of Members voting at a Member Meeting or a majority of Directors. However, any alteration, amendment or repeal of the requirement in Article 8, Section 8.1. number 5 of a two-thirds (2/3) majority vote of all the members of the Cooperative for the approval of the sale or disposition of all or substantially all of the Cooperative’s property and assets must be by an affirmative vote of two-thirds (2/3) of all the members of the Cooperative. 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.

(a) 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:

- (1) sponsored by, and accompanied by a dated petition containing the printed names, addresses, and original dated signatures obtained within sixty days of the petition date for, at least seventy-five Members entitled to vote on the Bylaw Amendment;
- (2) delivered to, and received by, the Cooperative at least ninety (90) business days before the Member Meeting at which the Members will consider the proposed Bylaw Amendment;
- (3) after review by the Board, determined lawful by the Board; and
- (4) not altered or modified after delivery to the Cooperative.

(b) Notice of Bylaw Amendment. Notice of a Member or Board Meeting at which Members or Directors will consider a proposed Bylaw Amendment must: (1) state that the purpose, or one of the purposes, of the Member or Board 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 to increase the Amendment or to propose a new Amendment. If Members may vote on a proposed Bylaw Amendment by Mail Ballot with Member Meeting, then the proposed Bylaw Amendment may not be amended at the Member Meeting.

Section 9.3 – Rules of Order. Except as otherwise provided by the Board at any time, and except as otherwise provided in the Governing Documents, Robert’s Rules of Order Newly Revised©, 10th Edition governs all: (1) Member Meetings; (2) Board Meetings; (3) Member Committee meetings; and (4) Board Committee meetings.

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 twelve months ending June 30.

Section 9.5 – Notice. In these Bylaws:

(a) Notice Type. Except as otherwise provided in these Bylaws, notice may be: (1) oral or written; and (2) communicated: (A) in person; (B) by telephone, telegraph, teletype, facsimile, electronic communication, or other form of wire or wireless communication; (C) by mail or private carrier; or (D) if the above-listed forms of communicating notice 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 to an address shown in the Membership List, then a written notice or report delivered as part of a newsletter, magazine, or other publication regularly sent to Members constitutes a written notice or report to all Members: (1) residing at the address; or (2) having the same address shown in the Membership List.

(b) Notice Effective Date. If communicated in a comprehensible manner, then except as otherwise provided in these Bylaws:

- (1) oral notice is effective when communicated; and
- (2) written notice is effective upon the earliest of: (A) when received; (B) with the postmark evidencing deposit in the United States Mail, if correctly addressed and mailed with first class postage affixed, then five 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 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.

Written notice 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 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 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 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.