

SAN MIGUEL POWER ASSOCIATION, INC.

BYLAWS

REVISED JANUARY 24, 2017

The mission of San Miguel Power Association, Inc. (hereinafter called the “Cooperative”) is to demonstrate corporate responsibility and community service while providing our Members safe, reliable, cost effective and environmentally responsible electrical service.

This is a Cooperative Association organized (in 1938) and existing under the laws of the State of Colorado.

**ARTICLE I
MEMBERS**

Section 1. Qualification and Obligations:

Any domestic or foreign (i) natural person, (ii) firm, (iii) association, (iv) corporation, (v) business trust, (vi) partnership, (vii) limited liability company, (viii) cooperative, (ix) trust, (x) estate, (xi) persons having a joint or common economic interest, (xii) state, state agency, or state political subdivision, (xiii) government, or any federal agency or federal political subdivision, or (xi) other body politic shall become a “Member” of the Cooperative by making written application to purchase from the Cooperative any service, product, commodity, equipment or facility reasonably related to energy products furnished by the Cooperative (“Cooperative Services”). Any of the above who refuse to sign a written application will become a Member by receiving any Cooperative Services from the Cooperative. All Members shall comply with and be bound by the Articles of Incorporation of the Cooperative and these rules, Bylaws and any amendment thereto and such rules and regulations, policies, rate schedules, and rate classifications of the Cooperative, as may, from time to time, be adopted by the Board of Directors.

Section 2. Number of Memberships:

Each entity or individual Member shall be entitled to one membership subject to the following rules:

(a) Two or more natural persons may jointly become a Member, and by signing a joint application each natural person agrees to be jointly severally liable for obligations of the Members to the Cooperative. Either Member may terminate the joint membership at any time by notifying the Cooperative in writing, in which event the remaining Member must sign a new written application for membership. Joint memberships are presumed to be held by the Members as joint tenants with rights of survivorship, unless the Members notify the Cooperative otherwise.

(b) Any Member that is not a natural person may only hold one membership.

(c) Each joint Member and each Member that is not a natural person shall designate the individual, by name or position, entitled to vote for that Member.

(d) The existence of two or more electric services in the name of a Member shall not, of itself, entitle that Member to more than one membership. Any Member who has multiple accounts with the Cooperative shall designate which account shall be his or her primary account. Such primary account will be used to determine the district where the Member is eligible to vote. Should the Member not designate a primary account, the oldest active account will be designated the primary account, as determined by the Cooperative's computer system. A Member with multiple accounts may only change their primary account once every four years.

(e) A Member may not sell, assign or transfer a membership in the Cooperative.

Section 3. Non-Members and Patrons:

The Cooperative may serve non-members as well as Members, all pursuant to the laws of the State of Colorado and the lawful rules and regulations of any agencies having jurisdiction over this Cooperative and the rules and regulations and policies as adopted by the Board of Directors. Non-members so served shall, collectively with Members, be herein called "Patrons". The Patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each Patron, and both the Cooperative and the Patrons are bound by such contract, as fully as though each Patron had individually signed a separate instrument containing such terms and provisions. The Articles of Incorporation and the Bylaws as they now exist and as they may be amended in the future shall be available to each Patron of the Cooperative at any public office of the Cooperative and on the Cooperative's website.

Section 4. Purchase of Cooperative Services and Electric Energy:

Except as otherwise set forth in these Bylaws or by policy adopted by the Board, each Patron shall, as soon as Cooperative Services shall be available, purchase from the Cooperative all Cooperative Services purchased for use on the premises specified in their application for service, and shall pay therefor at rates which shall from time to time be fixed by the Board. Cooperative Services which the Cooperative shall furnish to any Patron may be limited to such an amount as the Board shall from time to time determine. It is expressly understood that amounts paid for certain Cooperative Services are furnished by Patrons as capital and each Patron shall be credited with the capital so furnished as provided in these Bylaws. Each Patron shall also pay all amounts owed to the Cooperative as and when the same shall become due and payable. In addition, any Patron shall, if required by the Cooperative, enter into supplemental contract for the purchase of electrical energy, or other Cooperative Services, provisions of which may not be in conflict with these Bylaws. The Cooperative neither guarantees nor warrants continuous or flawless provision of Cooperative Services.

Section 5. Pro Rata Payments:

If any Patron has two or more service connections with the Cooperative, any payment to the Cooperative which constitutes less than the total amount owed shall be applied to billings in a manner deemed appropriate by the Cooperative.

Section 6. Non-Liability for Debts of the Cooperative:

The private property of the Members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no Member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

Section 7. Withdrawal of Membership:

(a) Any Member may withdraw from membership upon payment in full of all debts of such Member to the Cooperative and compliance with such terms and conditions as the Board may prescribe.

(b) Upon the withdrawal, death or cessation of existence of a Member, or when a Member ceases to receive electric service from the Cooperative, the membership of such Member shall thereupon terminate. Termination of membership in any manner shall not release a Member or his or her estate from debts due the Cooperative, and shall not act to forfeit the equity interest such Member may have in the assets of the Cooperative.

(c) Former Members applying for reinstatement shall not be reinstated as Members unless all debts to the Cooperative have been paid in full.

Section 8. Programs and Rates:

Each Patron may participate in any Board adopted programs and shall comply with related rates and service rules and regulations that may be established by the Cooperative, such as to enhance load management, to more efficiently utilize or conserve electric energy, increase utilization of renewable resources, or to conduct load research.

**ARTICLE II
MEETING OF MEMBERS**

Section 1. The Annual Meeting:

The annual meeting of the Members shall be held each year on such date or dates as shall be designated by the Board of Directors and at such place in the certificated area of the Cooperative as designated by the Board of Directors and announced in the notice. The purpose of the annual meeting is for the passing along of reports as may come before the meeting, to vote upon resolutions pursuant to Section 7 of this Article, and to conclude elections of the members of the Board of Directors. The date fixed for the annual meeting shall not be a Sunday nor a legal holiday. If the election of Directors shall not be concluded on the same day as is designated for the annual meeting, the Board of Directors shall cause the election to be concluded either prior thereto or as soon thereafter as it conveniently may be. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings:

Special meetings of the Members may be called by at least three (3) Directors or upon a written request signed by at least 10% of all the Members and, upon verification of Member signatures, it shall be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the Members may be held at any place within the certificated area of the Cooperative, in the State of Colorado, as is specified in the notice of the special meeting.

Section 3. Notice of Members' Meetings:

Public notice of the time and place of the holding of each meeting shall be published not less than ten (10) nor more than thirty (30) days previous thereto in a newspaper publication in the counties where the public offices of the Cooperative are located, and in other newspapers of general circulation within the certificated area, and posted on the Cooperative's website. Written or printed notice stating the place, day and hour of the meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, to each Member of record entitled to vote at such meeting. Said notice shall be by or at the direction of the President, the Secretary, or the Officer or persons calling the meeting. The Member of record will be determined as of the date of record determined by the Board. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his or her address as it appears on the books of the Cooperative with postage thereon prepaid.

Section 4. Quorum:

A quorum for the transaction of all business shall be fifty (50) Members present in person.

Section 5. Voting:

Each Member shall be entitled to one (1) vote and no more upon each matter set forth in the notice of the meeting of the Members. At all meetings of the Members at which a quorum is present, all questions shall be decided by a vote of a majority of the Members voting thereon in person except as otherwise provided by law, the Articles of Incorporation of the Cooperative or these Bylaws. Joint membership or entity membership shall entitle the holder to one (1) vote and no more upon each matter submitted to a vote at a meeting of the Members. Cumulative voting and voting by proxy are prohibited. Any decision which involves the sale of substantially all of the assets of the Cooperative or the dissolution of the Cooperative shall be decided by a vote of the majority of all Members.

Section 6. Order of Business:

The order of business at the Annual Meeting of the Members, and so far as possible at all other Meetings of the Members, unless varied by action of the Board of Directors, shall be as set forth in the notice of the meeting.

Section 7. Actions by Members:

At the Annual Meeting of the Members, and at all other meetings of the Members, Members shall only be entitled to vote on those matters set forth in the notice of the meeting

of the Members. Members may propose a resolution to be considered for inclusion in the notice of the meeting of the members by following the procedures set forth in this Section. At least fifty (50) days prior to the date of the notice of the meeting, any Member may deliver to the President or the Secretary a written petition (i) stating the proposed resolution on each page, and (ii) containing the printed names, printed addresses, and original and dated signatures obtained within sixty (60) days of delivery of the petition, of at least (a) fifteen percent of the Members from each district and (b) fifteen percent of all Members. Such petition shall be examined by the Board at the first regular meeting of the Board which takes place at least ten (10) days after the date on which the petition is delivered. At such meeting, the Board shall determine whether to (i) adopt the proposed resolution at the next meeting of the Board without substantive changes, or (ii) submit the proposed resolution to a vote of the Members. Each Member shall be entitled to vote on the proposed resolution at a meeting to be held for such purpose, by mail or in person, at any public office of the Cooperative. A ballot shall be mailed to each Member at least ten (10) days prior to such meeting. If cast by mail or at a public office of the Cooperative, the ballot must be received prior to the close of business on the business day prior to such meeting. Each ballot must be signed by the Member casting it. Voting by proxy and cumulative voting shall not be permitted. Interested Members and the Board shall have an opportunity to include a written statement regarding the proposed resolution, which the Cooperative will post on its website.

ARTICLE III DIRECTORS

Section 1. General Powers:

The business and affairs of the Cooperative shall be managed by a Board of seven (7) Directors, which shall exercise all of the powers of the Cooperative except such that are by law or by Articles of Incorporation of the Cooperative or by these Bylaws conferred upon or reserved to the Members.

Section 2. Vacancies:

Any vacancy occurring in the Board of Directors for any reason shall be filled by action of the remaining Directors. The remaining Directors may instead choose to have such vacancy filled by action of the Members. Any Director chosen in accordance with this Section must be and remain qualified as a Director under these Bylaws, and shall serve for the unexpired portion of the term of the vacant seat or until his or her successor shall have been elected.

Section 3. Compensation:

Directors may be allowed a fair remuneration for the time actually spent in the service of the Cooperative as Directors, and further, actual expense of attendance, if any, may be allowed for attendance at each meeting of the Board, and for actual out-of-pocket expenses incurred on business of this Cooperative. In addition, the Cooperative may, at its expense, purchase insurance (liability, life, medical and dental) on and for its Directors and families. Except in emergencies, no Director shall receive compensation for serving the Cooperative in any other capacity.

Section 4. Policy, Rules and Regulations:

The Board of Directors shall have power to make policy and adopt rules and regulations not inconsistent with law, the Articles of Incorporation of the Cooperative or these Bylaws, as it may deem advisable for direction of the management, administration and regulation of the business and affairs of the Cooperative.

Section 5. Accounting System and Reports:

The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, subject to applicable laws, shall conform to such accounting system as may from time to time be designated by the administrator of the Rural Utilities Service (RUS) of the United States of America. The Board of Directors shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be available to the Members upon request.

Section 6. Conflicts of Interest:

Any member of the Board of Directors who has a personal interest that is in conflict with the best interests of the Cooperative shall disclose such conflict to the Board and abstain from voting and participating in the decision process upon any matter involving the conflict of interest. The Board of Directors may, by majority vote of all Directors exclusive of the Director in question, determine whether or not a conflict of interest exists in every case, and the decision of the Board of Directors shall be final. A Director may be a party to a transaction in which the Cooperative is involved only after full disclosure of the Director's interest in such transaction to the Board. Such transaction shall be deemed appropriate if such transaction is the most economical or effective solution for the Cooperative, as determined by the Cooperative's standard quotation and bidding process.

Section 7. Indemnification:

The Cooperative shall, to the full extent permitted by Colorado law, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether formal or informal, by reason of the fact that he or she was a Director, Officer, Employee or Agent of the Cooperative. This right of indemnification shall inure to the benefit of the heirs and personal representatives of the Director, Officer, Employee or Agent.

Section 8. Director Conduct:

Unless modified or prohibited by law:

(a) Director Standard of Conduct. A Director shall discharge the Director's duties, including duties as a Board Committee member:

- (i) In good faith;
- (ii) With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
- (ii) In a manner the Director reasonably believes to be in the Cooperative's best interests.

(b) Director Reliance on Others. Unless a Director possesses knowledge concerning a matter making reliance unwarranted, in discharging a Director's duties, including duties as a Board Committee member; a Director may rely upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by:

(i) One (1) or more Cooperative Officers or employees whom the Director reasonably believes to be reliable and competent in the matters prepared or presented;

(ii) Legal counsel, public accountants, or other individuals regarding matters the Director reasonably believes are within the individual's professional or expert competence; and

(iii) If the Director reasonably believes a Board Committee of which the Director is not a member merits confidence, then the Board Committee regarding matters within the Board Committee's jurisdiction.

(c) Director Liability. If a Director complies with this Bylaw, then the Director is not liable to the Cooperative, any Member, or any other individual or entity for action taken, or not taken, as a Director. No Director is deemed a trustee regarding the Cooperative or any property held or administered by the Cooperative, including without limit, property potentially subject to restrictions imposed by the property's donor or transferor.

Section 9. Removal of Directors:

(a) Director Removal by Members – Petition. As provided in this section, and for any reason, a Director may be removed by action of the Members residing in such Director's district (the "District Members"). For a Director for whom removal is requested by action of the Members, a representative of the District Members must deliver to the President or the Secretary a written petition: (i) identifying the Director on each page; (ii) explaining, on each page, the basis for the Director's removal; and (iii) containing the printed names, printed addresses, and original and dated signatures obtained within sixty (60) days of delivery of the petition, of at least twenty percent of the District Members. Such petition shall be examined by the Board at the first regular meeting of the Board which takes place at least ten (10) days after the date on which the petition is delivered, and the Cooperative shall deliver a copy of such petition to the implicated Director at or before such meeting.

(b) Director Removal by Board. The Board may remove a Director appointed by the Board and not duly elected for any reason with thirty (30) days written notice to such Director. As provided in this section, and for taking or omitting a negligent, fraudulent, or criminal act significantly and adversely affecting the Cooperative, a Director may be removed by action of the Board. For a Director for whom removal is requested by action of the Board, the Board must deliver to the President or Secretary a written petition: (i) identifying the Director on each page; (ii) explaining, on each page, the basis for the Director's removal; and (iii) containing the printed names, printed addresses, and original and dated signatures obtained within sixty (60) days of delivery of the petition, of all of the members of the Board other than the implicated Director. Such petition shall be examined by the Board at the first regular meeting of the Board which takes place at least ten (10)

days after the date on which the petition is delivered, and the Cooperative shall deliver a copy of such petition to the implicated Director at or before such meeting.

(c) Director Removal – Vote. If the Board determines that a petition complies with this section, then the removal of the implicated Director shall be voted upon by means of a mail ballot by the District Members. The implicated Director shall have an opportunity to submit a written response to the petition, which the Cooperative will post on its website, and the District Members and members of the Board other than the implicated Director shall have an opportunity to submit a written explanation of the petition, which the Cooperative will post on its website. The affirmative vote of a majority of the District Members responding to the mail ballot shall be required to effect removal of the implicated Director. Any vacancy in the Board created by such a removal shall be filled as set forth in Section 2 of Article III hereof, provided that any Director elected to replace a removed Director must reside in the same District as the Director who was removed and be otherwise qualified to serve as a Director. Any Director who is removed in accordance with this section shall cease to serve as of the date of certification of the affirmative vote of a majority of District Members.

Section 10. Manager:

The Board of Directors may appoint a manager who may be, but who shall not be required to be, a Member of the Cooperative. The manager shall perform such duties as the Board of Directors may from time to time require of him and shall have such authority as the Board of Directors may from time to time vest in him.

**ARTICLE IV
ELECTION OF DIRECTORS**

Section 1. Communication of Procedure. Information on how to become a candidate and the schedule for elections will be mailed to each Member, in the district(s) being elected, (or included in such Member’s monthly bill) and posted on the Cooperative’s website at least two months prior to petitions to become a candidate are due.

Section 2. Districts. In order to give equitable representation on the Board of Directors according to density of membership, the Board of Directors has divided the territory served by the Cooperative into seven districts and may from time to time as deemed advisable, change and adjust the districts so formed to meet any shift in the density of the membership of the Cooperative. One Member residing within each of the districts shall be elected to the Board of Directors by the Members residing in the respective districts. Members of the Board of Directors for each district shall be elected for a term of four years. Directors in various districts shall be elected to four year staggered terms, with Districts 3 and 6 in one year, District 2 in one year, Districts 1 and 4 in one year, and Districts 5 and 7 in one year.

Section 3. Nomination. Any fifteen or more Members from any particular district may make nominations for Directors from that district by signing and submitting a petition not less than forty-five days prior to the election, and the Secretary shall post the same at each public office of the Cooperative at least twenty days before the election. Any Member

signing such a nomination may withdraw his or her signature by written notice delivered to the Secretary not less than forty-five days prior to the election. Such petitions shall clearly designate the number of the district from which the candidate is nominated. The Secretary shall mail to the district members, with the notice of the election, a statement of the number of Directors to be elected, specifying in the case of each nominee, the district from which he or she is nominated. At least ninety days (and not more than one hundred twenty days) before each election at which Directors are to be elected, the Cooperative shall cause to be published in at least one newspaper of general circulation in the certificated area, a notice captioned as follows:

“San Miguel Power Association, Inc.
Notice of Annual Election of Directors
Notice of Right to Nominate Directors”,

And including the following information:

That an annual election of the Board members is to be held.

The number of Directors to be elected at such election.

The district where Directors are to be elected.

That nomination may be made only by Petition signed by fifteen or more qualified Members from that district.

That such Petitions must be delivered to any public office of the Cooperative (giving address).

That such Petitions must be received on or before a certain date (giving date).

That Petition forms and information concerning legally required qualifications for prospective nominees and petition signers is available at the public offices of the Cooperative and by calling the numbers given below).

Section 4. Campaigning. All qualified candidates for Director will be entitled to membership lists at the same time and in the same format, as determined by the Board. All qualified candidates for Director will use those lists only for purposes of the election and will return or destroy those lists immediately after the election. Neither the Board of Directors nor any currently serving Director will send individual newsletters to Members of the Cooperative using the Cooperative resources. Neither the Cooperative nor its Board of Directors will endorse any candidate for Director.

Section 5. Ballots. A ballot shall be prepared under the supervision of the Secretary for each election, which shall list qualified candidates for each Director position. Candidates for Director will be placed on the ballot in random order, as chosen by lot by the General Counsel for the Cooperative.

Section 6. Voting. Each Member shall be entitled to vote in the election of Directors for the district of their account at a meeting to be held for such purpose, or by mail or in person at any public office of the Cooperative. The qualified candidate receiving the highest number of votes of the nominees for Director within his or her district shall be elected a member of the Board of Directors for the term for which said election is held, or until his or her successors shall have been elected and shall have qualified. In the event of a tie vote, the election shall be determined by lot conducted by the independent third party as appointed in Section 7. A ballot shall be mailed to each Member at least ten days prior

to the election in all contested elections. In all uncontested elections, a ballot will not be mailed to each Member, except that a Member may request a ballot in writing or by the telephone to any public office of the Cooperative at least ten (10) days prior to the election. If cast by mail or at any public office of the Cooperative, the ballot must be received prior to the close of business on the business day prior to the meeting at which the election is to be held. The ballot mailing deadline will be posted on the Cooperative's website at least three months prior to the deadline, and will remain posted until after the election. Each ballot must be signed by the Member casting it. Voting for Directors by proxy and cumulative voting for Directors shall not be permitted.

Section 7. Election Supervision and Counting of Ballots. As necessary, and not less than ninety days prior to any meeting of Members where an election may occur, the Board of Directors shall appoint an independent third party to receive, sort, verify and secure the return envelopes containing ballots, and at the appropriate time, count ballots and report voting results to the Members and the Board. All candidates for Director will be given the opportunity to be present during the counting of the ballots, or to have one representative present during the counting of the ballots.

Section 8. Qualifications for Candidates and Directors. A candidate for election as Director of a district, each Director elected to serve, and each Director appointed by the Board of Directors must be and remain throughout that person's term as Director: (i) a natural person; (ii) a Member in good standing of the Cooperative; (iii) legally capable of entering into legally binding contracts; (iv) not convicted of or plead guilty to a felony within the past five (5) years; (v) not be financially interested in a competing enterprise or business selling electric energy or electric supplies to the Cooperative; (vi) not be employed in a managerial or sales capacity by a competing enterprise or a business selling electric energy or electric supplies to the Cooperative except local renewable and net meter accounts which have agreements with the Cooperative and are in compliance with SMPA policies; (vii) free of any continuing and substantial personal interest that is in conflict with the best interests of the Cooperative; (viii) not a relative of any employee of the Cooperative; (ix) not be employed by the Cooperative within the past three (3) years; (x) not be an attorney hired by the Cooperative within the past three (3) years; and (xi) a resident of that district. When a membership is held jointly by two or more persons, any one but not more than one joint owner may be elected a Director, provided however, that no joint owner shall be eligible to become or remain a Director unless all joint owners meet the qualifications of these Bylaws. No relative of a Director will be eligible to become or remain an employee of the Cooperative. For purposes of these Bylaws, "relative" means a person who is a spouse, party to a civil union, child, grandchild, great-grandchild, parent, grandparent, great-grandparent, brother, sister, aunt, uncle, nephew, or niece, inclusive, (i) by blood or (ii) in-law. Determination of whether or not a Director is in compliance with the requirements of this Section shall be made by action of the Directors, after consultation with legal counsel. Nothing in this Bylaw provision shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

Section 9. Date of Election. The date of the election of Directors shall be fixed by the Board of Directors, posted on the Cooperative's website, and otherwise published no less than six (6) months before the election. At each such election, Directors shall be elected as set forth in these Bylaws, to serve until their successors shall have been elected and shall have qualified, subject to the provisions of these Bylaws.

ARTICLE V MEETING OF DIRECTORS

Section 1. Regular Meetings:

One or more regular meetings of the Board of Directors shall be held monthly at such time and place in the certificated area of the Cooperative as the Board of Directors may provide.

Section 2. Special Meeting:

Special meetings of the Board of Directors may be called by the President or any three (3) Directors. The person or persons authorized to call a special meeting of the Board of Directors may fix the time and place (which shall be in the certificated area of the Cooperative) for the holding of any special meeting of the Board of Directors called by them.

Section 3. Notice:

Notice of time, place and purpose of any special meeting of the Board of Directors shall be given at least three (3) days previous thereto, by written notice delivered personally or electronically to each Director at his or her last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with first class postage thereon prepaid. The attendance of the Director at any meeting shall constitute a waiver of notice of such meeting, except in case a Director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened. Notice of the time and place of a regular meeting of the Board of Directors, and a copy of the agenda for such meeting, shall be posted in every public office of the Cooperative and on the Cooperative website at least ten (10) days before the meeting. The agenda shall specifically designate the issues or questions to be discussed, or the actions to be taken, at the meeting. Copies of said agenda shall be available at each public office of the Cooperative for Patrons.

Section 4. Quorum:

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided that less than a majority of the Directors present may adjourn the meeting from time to time without further notice. In connection with any matter in which a Director excuses himself from participation because of conflict of interest, the excused Director will not be counted as a member of the Board of Directors for the purpose of determining whether or not a quorum exists.

Section 5. Manner of Acting:

The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 6. Telephone Meeting:

Directors may participate in a meeting of the Board or Committee by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear one another at the same time. Such participation shall constitute presence in person at the Meeting, unless by action of the Directors it is determined that the particular meeting or discussion requires actual presence.

Section 7. Attendance at Meetings:

If during a consecutive six (6) month period a Director (i) fails to attend the minimum of five (5) meetings of the Board, or (ii) attends more than two (2) meetings by means allowed by Section 6 of this Article, he or she shall be deemed to have submitted his or her resignation. He or she shall then be advised that his or her resignation shall be voted upon at the next regular meeting and that he or she may, if he or she wishes to do so, attend the next meeting and request that his or her resignation be withdrawn. The Board shall then vote, at the next regular meeting, on whether to accept the resignation or allow it to be withdrawn. If the resignation is accepted, the Board shall proceed to fill the vacancy in accordance with Article III, Section 2.

**ARTICLE VI
OFFICERS**

Section 1. Number:

The Officers of the Cooperative shall be a President, Vice-President, Secretary, Treasurer, and such other Officers as may be determined by the Board of Directors from time to time. The offices of Secretary and of Treasurer may be held by the same person.

Section 2. Election and Term of Office:

The officers shall be elected by ballot, annually by the Board of Directors at the first meeting of the Board following the annual membership meeting. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each Officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the Members or until his or her successor shall have been duly elected and qualified, subject to the provisions of these Bylaws.

Section 3. Removal:

Any Officer elected or appointed by the Board of Directors may be removed (as Officer, not as Director) by the Board of Directors whenever in its judgment the best interest of the Cooperative will be served thereby. Any Officer sought to be so removed shall be informed in writing thereof at least ten (10) days prior to the Board meeting at which such is to be considered and shall have an opportunity, during an executive session held at the meeting, to be heard in person and to present evidence, and the person seeking such removal shall have the same opportunity.

Section 4. Vacancies:

Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. President:

The President:

(a) Shall be the principal Executive Officer of the Board and shall preside at all meetings of the Members and of the Board of Directors;

(b) Shall sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other Officer or Officers, Agent or Agents, Employee or Employees of the Cooperative or shall be required by law to be otherwise signed or executed; and

(c) In general, shall perform all duties incident to the office of the President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice President:

In the absence of the President, or in the event of his or her inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President, and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 7. Secretary:

The Secretary, or in the absence of the Secretary the Assistant Secretary or another Director designated by action of the Board of Directors shall assure that all the proceedings of all meetings of the Board of Directors and of the Members are recorded in a book to be kept for that purpose. He or she shall see that all books, records, lists and information required to be maintained at the office of the Cooperative are so maintained. He or she shall cause to be given, notice of all meetings of the Members and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President. He or she shall cause to be kept in safe custody the seal of the Cooperative and, when authorized by the Board of Directors, cause the same to be affixed to any instrument requiring it and, when so affixed, it shall be attested by his or her

signature. The Secretary shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 8. Treasurer:

It shall be the duty of the Treasurer to assure that all funds and monies realized by the Cooperative are deposited in the Cooperative's name in banks as approved by the Directors. He or she shall disburse, or cause to be disbursed, the funds of the Cooperative as may be ordered or authorized generally by the Board; shall keep or cause to be kept full and accurate accounts of receipts and disbursements in books belonging to the Cooperative; shall keep or cause to be kept all other books of account and accounting records of the Cooperative; and shall render or cause to be rendered to the Officers and Directors of the Cooperative whenever they may require it an account of all such transactions and of the financial condition of the Cooperative. He or she shall perform such other duties as may from time to time be delegated to him by the Board of Directors.

Section 9. Bonds of Officers:

The Board of Directors may require the Treasurer, or any other Officer of the Cooperative charged with the responsibility for the custody of any of its funds or property, to bond such person in such sum and with such surety as the Board of Directors shall determine at the cost of the Cooperative. The Board of Directors in its discretion may also require any Agent or Employee of the Cooperative to give bond in such amount and with such surety as it shall determine at the cost of the Cooperative.

Section 10. Reports:

The Officers of the Cooperative shall submit at each annual meeting of the Members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

Section 11. Delegation of Duties:

In the case of the death or the temporary absence of any Officer of the Cooperative, or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may delegate the power and duties of any such Officer to any other Officer or to any Director or to the Manager, provided that the majority of the entire Board of Directors concurs therein.

**ARTICLE VII
FINANCIAL TRANSACTION**

Section 1. Contracts:

Except as otherwise provided in these Bylaws, the Board of Directors may authorize any Officer or Officers, Agent or Agents, or Employee or Employees of the Cooperative to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 2. Checks and Drafts:

All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative, shall be signed by such Officer or Officers, Agent or Agents, Employee or Employees of the Cooperative and in such a manner as shall from time to time be determined by the Board of Directors.

Section 3. Deposits:

All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Directors may select, or cause to be selected.

Section 4. Fiscal Year:

The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

**ARTICLE VIII
NON-PROFIT OPERATION**

Section 1. Interest or Dividends on Capital Prohibited:

The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its Patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its Patrons.

Section 2. Patronage Capital in Connection with the Sale of Electricity:

In the sale of energy from various sources, the Cooperative's operations shall be so conducted that all Patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its Patrons for all amounts received and receivable from the sale of energy from various sources in excess of the sum of: (a) operating costs and expenses properly chargeable against the furnishing of energy from various sources, and (b) amounts required to offset any losses incurred during the current or any prior fiscal year.

All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the Patrons as capital. The Cooperative is obligated to allocate, by credits to a capital account for each Patron, all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of the capital, if any, so furnished by each Patron is clearly reflected and credited in an appropriate record to the capital account of each Patron and the Cooperative shall, within a reasonable time after the close of the fiscal year, notify each Patron of the amount of capital so credited to his or her account. All such amounts credited to the capital account of any Patron shall have the same status as though they had been paid to the Patron in pursuance of a legal obligation to do so and the Patron had then furnished the Cooperative corresponding amounts of capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be: (a) used to offset any losses incurred during the current or any prior fiscal year, and (b) to the extent not needed for that purpose, allocated to its Patrons on a patronage basis, and any amounts so allocated shall be included as part of the capital credited to the accounts of Patrons as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to Patron's accounts may be retired in full or in part. If the amount owed to a Patron from such retirement that is a current consumer of energy from various sources in a particular year is less than ten Dollars (\$10.00), the Cooperative need not pay such amount, but may accumulate the amount owed to such Patron until the earlier of: (i) such time as the amount owed to such Patron is equal to or greater than Ten dollars (\$10.00); (ii) such time as the Cooperative credits such amount to the Patron's bill; or (iii) such time as such Patron ceases to be a current consumer of energy. Except as set forth in the preceding sentence, any such retirements shall be made by such method, basis, priority and order as shall be determined, from time to time, by the Board of Directors. Capital credited to the account of each Patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or part of such Patron's premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise. The Board, acting under policies of general application, may provide for separate and different accounting for patronage capital or similar credits received from organizations affiliated with the Cooperative.

Section 3. Unclaimed Capital Credits:

In all cases where a Patron fails to claim any deposits, stocks, dividends, capital credits, patronage refunds, or any other property held for him by the Cooperative within six (6) months after the same have been declared payable to him, the Cooperative may recover and use such unclaimed property or funds for expenditures associated with the provision of electric service as directed by the Board of Directors of the Cooperative. Before using said funds, the Cooperative shall first have notice by mail addressed to such Member or consumer at his or her last known address as shown by the records of the Cooperative, unless the Cooperative has knowledge that such address is no longer accurate. Further, the Cooperative shall have caused to be published a notice in a newspaper of general circulation and posted on the Cooperative's website that unless such payment is claimed, the Patron's claim thereto shall be extinguished and forever barred.

ARTICLE IX DISPOSITION OF PROPERTY

Except as set forth below, the Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber any of its property (a "Property Transaction") other than: (a) property which, in the judgment of the Board of Directors, or management, neither is

nor will be necessary or useful in operating and maintaining the Cooperative's system and facilities, provided, however, that all sales of such property shall not in any one (1) year, exceed in value 10% of the value of all the property of the Cooperative; (b) service of all kinds, including electric energy; and (c) personal property acquired for resale. A Property Transaction, except as authorized above, may be authorized at a meeting of the Members by the affirmative vote of at least two-thirds (2/3) of the Members voting thereon at such meeting, and the notice of such proposed sale, mortgage, lease, or other disposition or encumbrance shall have been contained in the notice of the meeting. The Board of Directors, without authorization by the Members, shall have full power and authority to borrow money from the United States of America, Reconstruction Finance Corporation, National Rural Utilities Cooperative Finance Corporation, CoBank or any other agency or instrumentality, and in connection with such borrowing to authorize the making and issuance of bonds, notes or other evidence of indebtedness and, to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging of encumbrancing of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the Board of Directors may determine.

ARTICLE X MEMBERSHIP IN OTHER ORGANIZATIONS

The Cooperative shall not become a member of any other organization without an affirmative vote of the Board of Directors.

ARTICLE XI SEAL

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative.

ARTICLE XII AMENDMENTS

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of the Board of Directors at any regular or special meeting; provided, however, that the Members shall be notified, prior to any meeting of the Board of Directors at which action on any alteration or amendment of said Bylaws is to be taken, as to the contents of such proposed alteration or amendment of said Bylaws. Such notice shall be sufficient if (i) published not less than thirty (30) days previous to the said meeting in a newspaper published in the counties where the public offices of the Cooperative are located and in other newspapers of general circulation within the certificated area, (ii) posted in every public office maintained by the Cooperative, and (iii) posted on the Cooperative's website at least thirty (30) days before such meeting. Copies of such proposed alteration or amendment shall be available at each public office and shall be mailed or electronically transmitted to any Member requesting such.

**ARTICLE XIII
MEETING PROCEDURE**

At all meetings of the Members, of the Board of Directors, and of any committees thereof, meeting procedure, except as provided by law or the Articles of Incorporation of this Cooperative, or by the provisions of these Bylaws, shall be governed in accordance with the latest edition of Robert's Rules of Order.

**ARTICLE XIV
SETOFF**

Any funds to be paid to a Patron by the Cooperative, whether a retirement of capital credits or otherwise, shall first be reduced and setoff by any amounts due the Cooperative as shown on the records of the Cooperative regardless of the time or times such amounts became due and owing.