

BYLAWS

**Monroe County Electric Co-Operative, Inc.
Waterloo, Illinois**

AMENDED: MARCH, 2010

CONTENTS

ARTICLE I MEMBERSHIP

Section 1.01 Eligibility	4
Section 1.02 Application for Membership; Renewal of Prior Application	4
Section 1.03 Membership Fee; Service Security and Facilities Extension Deposits; Contribution in Aid of Construction	4
Section 1.04 Joint Membership	5
Section 1.05 Acceptance into Membership	5
Section 1.06 Purchase of Electric Power and Energy; Application of Payments to All Accounts; Power Production by Member.....	5
Section 1.07 Excess Payments to be Credited as Member-Furnished Capital.....	6
Section 1.08 Wiring of Premises; Responsibility Therefore; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Respon- sibility; Indemnification.....	6
Section 1.09 Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Programs	7

ARTICLE II MEMBERSHIP SUSPENSION AND TERMINATION

Section 2.01 Suspension; Reinstatement	7
Section 2.02 Termination by Expulsion; Renewed Membership	7
Section 2.03 Termination by Withdrawal or Resignation	8
Section 2.04 Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners.....	8
Section 2.05 Effect of Death, Legal Separation or Divorce upon Joint Memberships	8
Section 2.06 Board Acknowledgment of Membership Termination; Acceptance of Members Retroactively	8

**ARTICLE III
MEETINGS OF MEMBERS**

Section 3.01 Annual Meeting	9
Section 3.02 Special Meetings.....	9
Section 3.03 Notice of Member Meetings.....	9
Section 3.04 Quorum	10
Section 3.05 Voting	10
Section 3.06 Proxies.....	10
Section 3.07 Order of Business	11

**ARTICLE IV
DIRECTORS**

Section 4.01 Number and General Powers.....	12
Section 4.02 Qualifications.....	12
Section 4.03 Election	14
Section 4.04 Election and Tenure of Office.....	15
Section 4.05 Determining Directorate Districts	15
Section 4.06 Nominations	17
Section 4.07 Voting for Directors; Validity of Board Action.....	20
Section 4.08 Removal of Directors by Members	20
Section 4.09 Vacancies	21
Section 4.10 Compensation; Expenses.....	21
Section 4.11 Rules, Regulations, Rate Schedules, and Contracts.....	22
Section 4.12 Accounting System and Reports	22
Section 4.13 Subscription to Cooperative's News- letter; Subscription to Statewide Publication	22

**ARTICLE V
MEETINGS OF DIRECTORS**

Section 5.01 Regular Meetings.....	22
Section 5.02 Special Meetings	23
Section 5.03 Notice of Directors' Special Meetings	23
Section 5.04 Quorum.....	23

**ARTICLE VI
OFFICERS, MISCELLANEOUS**

Section 6.01 Number and Title	23
Section 6.02 Election and Term of Office.....	24
Section 6.03 Removal	24
Section 6.04 Vacancies	24
Section 6.05 Chairman of the Board.....	24
Section 6.06 Vice Chairman.....	24
Section 6.07 Secretary	24
Section 6.08 Treasurer	25
Section 6.09 Delegation of Secretary's and Treasurer's Responsibilities	25
Section 6.10 Chief Executive Officer; President	25
Section 6.11 Bonds	26
Section 6.12 Compensation; Indemnification.....	26
Section 6.13 Reports.....	26

**ARTICLE VII
CONTRACTS, CHECKS AND DEPOSITS**

Section 7.01 Contracts.....	26
Section 7.02 Checks, Drafts, etc.....	26
Section 7.03 Deposits; Investments.....	26

**ARTICLE VIII
MEMBERSHIP CERTIFICATES**

Section 8.01 Certificate of Membership.....	27
Section 8.02 Issue of Membership Certificates	27
Section 8.03 Lost Certificate	27

**ARTICLE IX
NON-PROFIT OPERATION**

Section 9.01 Interest or Dividends on Capital Prohibited	27
Section 9.02 Patronage Capital in Connection with Furnishing Electric Energy and other services... ..	27
Section 9.03 Patrons'; Members' and Non-Members' Responsibilities	29

ARTICLE X

WAIVER OF NOTICE	30
-------------------------------	-----------

**ARTICLE XI
DISPOSITION AND PLEDGING OF PROPERTY;
DISTRIBUTION OF SURPLUS ASSETS
ON DISSOLUTION**

Section 11.01 Disposition and Pledging of Property.....	30
Section 11.02 Distribution of Surplus Assets on Dissolution.....	31

ARTICLE XII

FISCAL YEAR.....	31
-------------------------	-----------

ARTICLE XIII

RULES OF ORDER	31
-----------------------------	-----------

ARTICLE XIV

AMENDMENTS.....	31
------------------------	-----------

ARTICLE I MEMBERSHIP

SECTION 1.01. Eligibility. Any natural person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision or agency thereof, or body politic (each hereinafter referred to as "person applicant him" or "his") shall be eligible to become a member of and, at one or more premises owned or directly occupied or used by him, to receive electric service from, Monroe County Electric Co-operative, Inc. (hereinafter called the "Cooperative"). No person shall hold more than one membership in the Cooperative.

SECTION 1.02. Application for Membership; Renewal of Prior Application. Application for membership wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative's Articles of Incorporation and By-Laws, and all rules, regulations and rate schedules established pursuant thereto, as all the same then exist or may thereafter be adopted or amended (the obligations embraced by such agreement being hereinafter called "membership obligations") - shall be made in writing on such form as is provided therefor by the Cooperative. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefor by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.03 (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), which fee (and such services security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, if any) shall be refunded in the event the application is not approved. Any former member of the Cooperative may, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at the Illinois legal rate on judgments in effect overdue, compounded annually (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative or attorney's fees incurred in the enforcement hereof), renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of payment.

SECTION 1.03. Membership Fee; Service Security and Facilities Extension Deposits; Contribution in Aid of Construction. The membership fee shall be fixed from time to time by the Board of Directors. The membership fee (together with any service security deposit, or service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, or any combination thereof, if required by the Cooperative) shall entitle the member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative (together with a service security deposit, a facilities extension deposit or a contribution in aid of construction, if required by the Cooperative), shall be paid by the member for each additional service connection requested by said member.

SECTION 1.04. Joint Membership. A husband and wife, by specifically so requesting in writing, may be accepted into joint membership or, if one of them is already a member, may automatically convert such membership into a joint membership. The words "member," "applicant," "person," "his" and "him," as used in these By-Laws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing:

- (a) the presence at a meeting of either or both shall constitute the presence of one member and a joint waiver of notice of the meeting.
- (b) the vote of either or both shall constitute, respectively, one joint vote.
- (c) notice to or waiver of notice signed by either or both shall constitute, respectively, a joint notice or waiver of notice.
- (d) suspension or termination in any manner of either shall constitute, respectively, suspension or termination of the joint membership.

SECTION 1.05. Acceptance into Membership. Upon complying with the requirements set forth in Section 1.02, any applicant shall be accepted into membership in, and become eligible to receive electric service from the Cooperative unless the Board of Directors shall determine that such applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application should be rejected for other good cause: PROVIDED, that any person whose application, for sixty (60) days or longer, has been submitted to but not approved by the Board of Directors may, by filing a written request therefor with the Cooperative at least thirty (30) days prior to the next meeting of the members, have his application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

SECTION 1.06. Purchase of Electric Power and Energy; Application of Payments to All Accounts; Power Production by Member. The Cooperative shall use reasonably, diligent efforts to furnish its members with adequate and dependable electric service. Although it cannot and, therefore, does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership, unless and except to the extent that the Board of Directors may in writing waive such requirement, and shall pay therefor at the times, and in accordance with the rules, regulations, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative, any payment by him

for service from the Cooperative shall be deemed to be allocated and credited on a pro rata basis to his outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and proration.

Production or use of electric energy on such premises, regardless of the source thereof by means of facilities which shall be interconnected, with Cooperative facilities shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative.

SECTION 1.07. Excess Payments to be Credited as Member-Furnished Capital. All amounts paid for electric service in excess of the cost thereof shall be furnished by members as capital, and each member shall be credited with the capital so furnished as provided in Article IX of these By-Laws.

SECTION 1.08. Wiring of Premises; Responsibility Therefore; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification. Each member shall cause all premises receiving electric service pursuant to this membership to become and to remain wired in accordance with the specifications of the Illinois State Fire Marshall's Office, National Electric Code, any applicable state code or local government ordinances, and of the Cooperative. Each member shall be responsible for - and shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of - such premises and all wiring and apparatus connected thereto or used thereon. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source, for meter reading and bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his best efforts to prevent others from so doing. Each member shall also provide such protective devices to his premises, apparatuses or meter base as the Cooperative shall from time to time require in physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event that such facilities are interfered with, impaired in their operation or damaged by the member or any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's

billing procedures. In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery.

SECTION 1.09. Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Programs. Each member shall, upon being requested to do so by the Cooperative, execute and deliver to the Cooperative grants of easements or right-of-way over, on and under such lands owned or leased by or mortgaged to the member. The terms of such a grant shall be reasonable, shall be negotiated by the parties with an intent to disturb agricultural, business, and recreational uses as little as is economically possible, and shall follow roads or property lines whenever possible. The grant shall only be as required for the furnishing of electric service to members or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities. Each member shall participate in any required program that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research. If a member chooses not to participate, he may not benefit from the reduced rates he might otherwise receive.

ARTICLE II MEMBERSHIP SUSPENSION AND TERMINATION

SECTION 2.01. Suspension; Reinstatement. Upon his failure, after the expiration of the initial time limit prescribed in a specific notice to him or in the Cooperative's generally publicized applicable rules and regulations, to pay any amounts due the Cooperative or to cease any other noncompliance with his membership obligations, a person's membership shall automatically be suspended; and he shall not, during such suspension, be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, and/or cessation of any other noncompliance with his membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the membership, in which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meetings of its members.

SECTION 2.02. Termination by Expulsion; Renewed Membership. Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 2.01, he may without further notice, but only after due hearing if such is requested by him, be expelled by resolution of the Board of Directors at any subsequently held regular or special meeting of the Board. Any person so expelled may, by delivering written notice to that effect to the Cooperative at least ten (10) days prior to the next meeting of the members, appeal and be present and heard at such meeting, which may vote approval of such expulsion or disapproval thereof, in which latter event such person's membership shall be reinstated retroactively to the date of this expulsion. After any finally effective expulsion of a member, he may not again become a member except upon new application therefor duly approved as provided in Section 1.05. The Board of Directors, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it

determines to be reasonably necessary to assure applicant's compliance with all his membership obligations.

SECTION 2.03. Termination by Withdrawal or Resignation. A member may withdraw from active membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to (or, with the approval of the Board of Directors, resigning his membership in favor of a new applicant who also shall), own or directly occupy or use all premises being furnished electric service pursuant to his membership, or (b) except when the Board of Directors specifically waives such condition, abandoning totally and permanently the use of central station electric services on such premises.

SECTION 2.04. Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners. Except as provided in Section 2.05, the death of an individual human member shall automatically terminate his membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership:

PROVIDED, that upon the dissolution for any reason of a partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners:

PROVIDED FURTHER, that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative.

SECTION 2.05. Effect of Death, Legal Separation or Divorce upon Joint Memberships. Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint:

PROVIDED, that the estate of the deceased spouse shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership in the same manner and to the same effect as though such membership had never been joint:

PROVIDED, that the other spouse shall not be released from any debts due the Cooperative.

SECTION 2.06. Board Acknowledgment of Membership Termination; Acceptance of Members Retroactively. Upon the termination of a person's membership for any reason, including but not limited to the date on which the Cooperative ceased furnishing electric service to such person, the Board of Directors, so soon as practicable after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination. Upon the discovery that the Cooperative has been furnishing electric service to any person other

than a member, it shall cease furnishing such service unless such person applies for, and the Board of Directors approves, membership retroactively to the date on which such person first began receiving such service, in which event the Cooperative to the extent practicable, shall correct its membership and all related records accordingly.

ARTICLE III MEETINGS OF MEMBERS

SECTION 3.01. Annual Meeting. For the purposes of electing Directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held each year at such place in one of the counties in Illinois within which the Cooperative serves, and beginning at such hour, as the Board of Directors shall from year to year fix. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for, and to encourage member attendance at the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02. Special Meetings. A special meeting of the members may be called by the Board of Directors, by the Chairman of the Board, by any five (5) Directors, or by petition signed by not less than twenty percent (20%) of the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.03. Such a meeting shall be held at such place in one of the counties in Illinois within which the Cooperative serves, on such date, not sooner than forty (40) days after the call for such meeting is made or a petition therefor is filed, and beginning at such hour as shall be designated by him or those calling or petitioning for the same.

SECTION 3.03. Notice of Member Meetings. Written or printed notice of the place, day and hour of the meeting and, in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting shall be delivered to each member not less than five (5) days nor more than forty (40) days prior to the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board or the Secretary (and in the case of a special meeting, at the direction of him or those calling the meeting). Any such notice delivered by mail may be included with member service billings or as an integral part of the Cooperative's monthly newsletter, and/or any statewide consumer publication of AIEC (Association of Illinois Electric Cooperatives). No matter or item of business, the carrying of which, as provided by law, requires the affirmative votes of at least two-thirds (2/3) of the membership of the cooperative present in person or by proxy, or requires the affirmative votes of at least two-thirds (2/3) of the total membership of the Cooperative, shall be acted upon at any meeting of the members unless notice of such matter shall have been contained in the notice of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid and postmarked not less than five (5) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental

and unintended failure of any member to receive a notice deposited in the mail addressed to the member at his address as shown on the Cooperative's books shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the grounds that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection.

SECTION 3.04. Quorum. Business may not be transacted at any meeting of the members unless there are present in person or by proxy at least three percent (3%) of the Cooperative's members, except that, if less than a quorum is present at any meeting, a majority of those present in person or by proxy may without further notice adjourn the meeting to another time and date not less than forty (40) days later and to any place in one of the counties in Illinois within which the Cooperative serves:

PROVIDED, that the Secretary shall notify any absent members of the time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03. At all meetings of the members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person or by proxy.

SECTION 3.05. Voting. Each member who is not in a status of suspension, as provided for in Section 2.01, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members. Voting by **members other than members who are** natural persons shall be allowed **upon the presentation** to the Cooperative, prior to **or upon registration** at each member meeting, of satisfactory evidence entitling the person presenting the same to vote. At all meetings of the members, all questions shall be decided by the affirmative votes of a majority of the members present in person or by proxy, except as **otherwise provided** by law or by the Cooperative's Articles of Incorporation or these By-Laws. Members may not cumulate their votes.

SECTION 3.06. Proxies. At any meeting of the members or any adjournment thereof, any member may vote by proxy, but only if such proxy:

a) is registered with the Secretary or his duly designated registrar before or at the time of the meeting or any adjournment thereof, or, if such proxy is to be voted on any matter the carrying of which requires the affirmative votes of not less than two-thirds (2/3) of the Cooperative's members present in person or by proxy, or if said vote requires the affirmative votes of two-thirds (2/3) of the Cooperative's members, said proxy must be registered with the Cooperative at its principal office during office hours on or before the third business day next preceding the date of the meeting or any adjournment thereof, as the case may be, or

b) is executed by the member in writing and designates the holder thereof (and, if the member so desires, an alternative holder thereof

and/or conferring upon the holder(s) full power of substitution), which holder(s) shall be the member's spouse, an adult close relative (18 years or older) residing in the same household as the member, or another member who is a natural person, and

c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than eleven (11) months prior to the date of such meeting or any adjournment thereof:

PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced;

AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executed two (2) or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all other; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at a meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. A person may vote as proxy for unlimited number of members on any matter the carrying of which, as provided by law or the Cooperative's Articles of Incorporation or By-Laws, requires the affirmative vote of two-thirds (2/3) of the Cooperative's members, or which requires the affirmative vote of two-thirds (2/3) of the Cooperative's members present in person or by proxy, but no person shall vote as proxy for more than three (3) members on any other matter. Notwithstanding the foregoing provisions of this Section, whenever a member is absent from a meeting of the members but whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such members could vote if present in person, unless such member has given a written proxy to some other person eligible to vote such proxy.

SECTION 3.07. Order of Business. The order of business at the annual meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (1) Report on the number of members present in person in order to determine the existence of a quorum;
- (2) Reading of the notice of the meeting and proof of the due giving thereof, or of the waiver(s) of notice of the meeting, as the case may be;
- (3) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- (4) Presentation and consideration of reports of officers, directors and committees;
- (5) Election of Directors;
- (6) Unfinished business;
- (7) New business; and
- (8) Adjournment.

Notwithstanding the foregoing, the Board of Directors or the members themselves may from time to time establish a different order of business for the purpose of assuring the earlier consideration of and action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business:

PROVIDED, that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

ARTICLE IV DIRECTORS

SECTION 4.01. Number and General Powers. The business and affairs of the Cooperative shall be managed by a Board of nine (9) Directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or By-Laws conferred upon or reserved to the members.

SECTION 4.02. Qualifications. A nominee for Director and/or acting Director shall have and maintain the following qualifications:

- (a) **Membership Qualifications.** A person shall be eligible to become or remain a Director of the Cooperative who is in good standing with the Cooperative and receiving service therefrom at his or her primary residential abode; provided, that an owner or the operating or chief executive officer of any Member which is not a natural person ("Entity Member"), such as a corporation, limited liability company, church, etc., or a designee, shall, notwithstanding that he/she does not receive services from the Cooperative at his primary residential abode, be eligible to be a Director for the Directorate District in which such Entity Member is located, if such individual (i) is in substantial control of the Entity Member's operation at the premises served by the Cooperative, and (ii) is a permanent and year-round resident within or in close proximity to an area served by the Cooperative; but provided, further, that no more than three (3) such Entity Member designees may serve on the Board of Directors at the same time (collectively, "Membership Director Qualifications").

- (b) **General Director Qualifications.** To become or remain a Director, a person must also comply with the following general qualifications ("**General Director Qualifications**"):
 - (i) be an individual who meets the Membership Qualifications;
 - (ii) have the capacity to enter legally binding contracts;
 - (iii) while a Director, and during the five (5) years immediately before becoming a Director, not: (A) be convicted of a felony or a misdemeanor, other than a traffic or parking citation not involving the suspension or loss of a driver's license; or (B) plead guilty to a felony or misdemeanor, other than a traffic or parking citation not involving the suspension or loss of a driver's license;
 - (iv) except as otherwise provided by the Board for good cause, receive a Credentialed Cooperative Director designation, Director's Certificate, or similar certification from the National Rural Electric Cooperative Association by the end of their second full term as a Director and continue to attend at least

one (1) day (or eight (8) hours) of educational instruction concerning cooperative governance and issues affecting cooperatives every two (2) years thereafter;

- (v) attend at least two-thirds of all regular and special meetings of the Board held during each twelve month period from the first meeting following the annual meeting of Members in March to the last meeting in the following March prior to the next annual meeting of the Members, with an absence authorized by the majority vote of the other Directors for good cause to be considered as attendance at a meeting, for purposes of the foregoing; and
 - (vi) comply with any other reasonable qualifications determined by the Board, from time to time, that are not in conflict with these By-Laws and are set forth in a written Policy which is made available to any Member upon written request delivered to the President of the Cooperative.
- (c) **Conflict of Interest Director Qualifications.** To become or remain a Director, an individual must also comply with the following conflict of interest qualifications ("**Conflict of Interest Director Qualifications**"):
- (i) upon submitting a nomination petition and annually, if elected, complete and sign a conflict of interest certification and disclosure form approved by the Board (which shall be submitted to the C&E Committee with the Nominating Petition, by Nominees, as hereafter defined; and to the President of the Cooperative, annually, during a Director's term);
 - (ii) while a Director and during the three (3) years immediately before becoming a Director, not be an employee of the Cooperative or an employee of an entity controlled by the Cooperative or in which the Cooperative owns a majority interest ("**Cooperative Subsidiary**");
 - (iii) while a Director and during the one (1) year immediately before becoming a Director, not receive or have a Close Relative who receives more than ten percent (10%) of their annual gross income directly or indirectly from the Cooperative and/or a Cooperative Subsidiary. For purposes of the foregoing, retirement income paid to the Director by the Cooperative and/or any subsidiary, compensation paid to the Director for serving as a Director, and insurance coverage provided by the Cooperative and its Subsidiary, and/or payments made by such insurance shall not be considered in determining an individual's gross income; and a Close Relative means (i) a Director's spouse, child, stepchild, grandchild, parent, stepparent, grandparent, sibling, step sibling, half sibling, aunt, uncle, niece, or nephew, (ii) the spouse of any of the foregoing; (iii) any person for whom the Director acts in a fiduciary capacity (such as a trustee) or employee; or (iv) any person who resides with the Director;
 - (iv) while a Director and during the one (1) year immediately before becoming a Director, not advance or have a Close Relative that advances the individual's pecuniary interest by competing with the Cooperative and/or a Cooperative Subsidiary;
 - (v) while a Director, not be a Close Relative of a Cooperative employee or another Director;
 - (vi) while a Director, not be employed by another Director or be employed by, or receive more than ten percent (10%)

of annual gross income from, an entity for which another Director controls, owns more than ten percent (10%), or is a director or officer; and

(vii) 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: (1) advances the entity's pecuniary interest by competing with the Cooperative or a Cooperative Subsidiary; or (2) receives more than ten percent (10%) of its annual gross income directly or indirectly from the Cooperative and/or a Cooperative Subsidiary.

- (d) **Director Disqualification.** After being elected, if a Director does not comply with all Membership Director Qualifications, General Director Qualifications, and Conflict of Interest Director Qualifications (collectively, "**Director Qualifications**"), then the Board shall notify the Director in writing of the basis for, and provide the Director an opportunity to comment regarding, the believed disqualification. If within thirty (30) days after the Board notifies the Director of the believed disqualification, the Director neither complies with nor meets the Director Qualifications, then the Board must recommend to the Members that the Director be sanctioned or removed and call a Special Meeting of the Members to consider the issue; provided, however, if the Annual meeting of the Members occurs within sixty (60) days following the above referenced thirty (30) day period, the issue may be considered at the annual meeting, instead of calling a Special Meeting. At such Special or Annual Meeting, the Board shall present the evidence of disqualification (which may be oral or documentary), and the Director(s) subject to sanction or removal shall have the opportunity to respond. The question of the removal of such Director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting. Any vacancy created by such removal shall be filled by vote of the Members at such meeting without compliance with Section 4.06, and from nominations made from the floor; provided that a nominated Director (i) shall be from (or, with respect to a Nominee who manages an Entity Member, such Entity Member is from) the same Directorate District as was the Director whose office he succeeds; (ii) must meet all Director Qualifications; and (iii) shall serve the unexpired portion of the removed Director's term.
- (e) If a majority of Directors authorized by these Bylaws complies with the Director Qualifications and approves a Board action, then the failure of one or more Directors to comply with the Director Qualifications does not affect such Board action.

SECTION 4.03. Election. At each annual meeting of the Members, Directors shall be elected by secret written ballot by the Members and, except as provided in Section 4.02(a) of these By-Laws, from among those members who are natural persons; PROVIDED, that, when the number of nominees does not exceed the number of Directors to be elected from a particular Directorate District, and if there is no objection, secret written balloting may be dispensed with in respect of that particular election and voting may be conducted in any other proper manner. Directors shall be elected by a plurality of the votes

cast unless the Members, prior to the balloting, resolve that a majority of the votes cast shall be required to elect, and this By-Law provision shall be brought to their attention and explained prior to any balloting. Drawing by lot shall resolve, where necessary, any tie votes.

SECTION 4.04. Election and Tenure of Office. Directors shall be so nominated and elected that one director from or with respect to each of Directorate Districts 1, 2, and 9 in 1985 shall be elected for three-year terms at an annual member meeting; one director from or with respect to each of Directorate Districts 3, 7, and 8 for 1986 shall be elected for three-year terms at the next succeeding annual member meeting; and one director from or with respect to each of Directorate Districts 4, 5, and 6 in 1987 shall be elected for three-year terms at the next succeeding annual member meeting, and so forth. Upon their election, directors, shall, subject to the provisions of these By-Laws with respect to the removal of directors, serve until the annual meeting of the members of the year in which their terms expire or until their successors shall have been elected and shall have qualified. If for any reason an election of directors shall not be held at an annual meeting of the members duly fixed and called pursuant to these By-Laws, such election may be held at an adjournment of such meeting or at a subsequently held special or the next annual meeting of the members. Failure of an election for a given year shall allow the incumbents whose directorships would have been voted on to hold over only until the next member meeting at which a quorum is present.

SECTION 4.05. Determining Directorate Districts. The territory served by the Cooperative shall be divided into nine (9) Directorate Districts. Each District shall be represented by one (1) director, and the Districts are described, as follows:

DISTRICT 1 –

System Map 1 – Sections 1 through 36 inclusive, Township 1 North, Range 10 West, of the Third Principal Meridian, in St. Clair and Monroe Counties, Illinois.

System Map 2 – Sections 1 through 36 inclusive, Township 1 North, Range 9 West, of the Third Principal Meridian, in St. Clair County, Illinois.

System Map 4 – Section 1, Township 1 South, Range 10 West, of the Third Principal Meridian, in St. Clair County, Illinois.

System Map 5 – Sections 1 through 6 inclusive, Township 1 South, Range 9 West, of the Third Principal Meridian, in St. Clair County, Illinois.

DISTRICT 2 –

System Map 4 – Sections 12, 13, 24, 25 and 36, Township 1 South, Range 10 West, of the Third Principal Meridian, in St. Clair and Monroe Counties, Illinois.

System Map 5 – Sections 7 through 36 inclusive, Township 1 South, Range 9 West, of the Third Principal Meridian, in St. Clair and Monroe Counties, Illinois.

System Map 10 – Section 1 through 4 inclusive, 9 through 12 inclusive, Township 2 South, Range 9 West, of the Third Principal Meridian, in St. Clair and Monroe Counties, Illinois.

DISTRICT 3 –

System Map 3 – Sections 1 through 36 inclusive, Township 1 South, Range 11 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 4 – Sections 2 through 11 inclusive, 14 through 23 inclusive, 26 through 35 inclusive, Township 1 South, Range 10 West, of the Third Principal Meridian, in Monroe and St. Clair Counties, Illinois.

System Map 8 – Sections 1 through 17 inclusive, Township 2 South, Range 11 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 9 – Sections 3 through 10 inclusive, 15 through 18 inclusive, Township 2 South, Range 10 West, of the Third Principal Meridian, in Monroe County, Illinois.

DISTRICT 4 –

System Map 9 – Sections 1, 2, 11 through 14 inclusive, 23 through 26 inclusive, Township 2 South, Range 10 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 10 – Sections 5 through 8 inclusive, 13 through 30 inclusive, Township 2 South, Range 9 West, of the Third Principal Meridian, in Monroe and St. Clair Counties, Illinois.

DISTRICT 5 –

System Map 6 – Sections 1 through 36 inclusive, Township 1 South, Range 8 West, of the Third Principal Meridian, in St. Clair County, Illinois.

System Map 11 – Sections 1 through 6 inclusive, Township 2 South, Range 8 West, of the Third Principal Meridian, in St. Clair County, Illinois.

DISTRICT 6 –

System Map 9 – Sections 19 through 22 inclusive, 27 through 36 inclusive, Township 2 South, Range 10 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 10 – Sections 31 through 35 inclusive, Township 2 South, Range 9 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 14 – Sections 1 through 28 inclusive, Township 3 South, Range 10 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 15 – Sections 2 through 11 inclusive. 17 through 20 inclusive, Township 3 South, Range 9 West, of the Third Principal Meridian, in Monroe County, Illinois.

DISTRICT 7 –

System Map 10 – Section 36, Township 2 South, Range 10 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 11 – Sections 7 through 36 inclusive, Township 2 South, Range 8 West, of the Third Principal Meridian, in St. Clair County, Illinois.

System Map 12 – Sections 1 through 36 inclusive, Township 2 South, Range 7 West, of the Third Principal Meridian, in St. Clair County, Illinois.

System Map 15 – Sections 1 and 12, Township 3 South, Range 9 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 16 – Sections 1 through 12 inclusive, Township 3 South, Range 8 West, of the Third Principal Meridian, in Monroe County, Illinois.

DISTRICT 8 –

System Map 8 – Sections 19 through 36 inclusive, Township 2

South, Range 11 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 13 – Sections 1 through 36 inclusive. Township 3 South, Range 11 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 14 – Sections 29 through 36 inclusive, Township 3 South, Range 10 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 15 – Sections 29 through 32 inclusive, Township 3 South, Range 9 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 17 – Sections 1 through 36 inclusive, Township 4 South, Range 11 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 18 – Sections 1 through 36 inclusive, Township 4 South, Range 10 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 19 – Sections 5 through 8 inclusive, 17 through 20 inclusive, 29 through 32 inclusive, Township 4 South, Range 9 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 21 – Sections 1 through 36 inclusive, Township 5 South, Range 10 West, of the Third Principal Meridian, in Monroe and Randolph Counties, Illinois.

DISTRICT 9 –

System Map 15 – Sections 13 through 16 inclusive, 21 through 28 inclusive, 33 through 36 inclusive, Township 3 South, Range 9 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 16 – Sections 13 through 36 inclusive, Township 3 South, Range 8 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 19 – Sections 1 through 4 inclusive, 9 through 16 inclusive, 21 through 28 inclusive, 33 through 36 inclusive, Township 4 South, Range 9 West, of the Third Principal Meridian, in Monroe County, Illinois.

System Map 20 – Sections 1 through 36 inclusive, Township 4 South, Range 8 West, of the Third Principal Meridian, in Randolph County, Illinois.

System Map 22 – Sections 1 through 36 inclusive, Township 5 South, Range 9 West, of the Third Principal Meridian, in Monroe and Randolph Counties, Illinois.

Not less than one hundred twenty (120) days before any meeting of the members at which Board members are to be elected, the Board shall review the composition of the several districts and, if it should find gross inequalities in representation, which could be corrected by a redelineation of districts, the Board shall redelineate the districts so that each shall contain as nearly as possible the same number of members, and they shall notify the Committee on Nominations of any said change.

Section 4.06 Nominations. It shall be the duty of the Board to appoint, not less than sixty (60) days nor more than one hundred twenty (120) days before the date of each meeting of the Members at which Directors are to be elected (“Voting Meeting”), a Credentials and Election Committee (“C & E Committee”) consisting of three (3) Members in good standing from each District in which a Director’s

term expires or vacancy occurs; provided that no such committee need be constituted to fill a vacancy in accordance with Section 4.02 (d).

- (a) **C&E Committee Members.** A C&E Committee member must be someone who would be qualified to be a Director under Sections 4.02 (a) and (c) above, but must not be: (i) a Director; (ii) a candidate for Director; or (iii) a Close Relative of any of the foregoing. As determined by the Board, the Cooperative may reasonably compensate and/or reimburse C&E Committee members for time and expenses incurred in serving on the C&E Committee.
- (b) **C&E Committee Duties.** The C&E Committee shall:
- (i) elect a chairperson and secretary;
 - (ii) receive Nominating Petitions for candidates for Director positions to be elected at the Voting Meeting for which such committee is appointed to serve;
 - (iii) determine if a Nominating Petition so received is timely and in proper form, and, within five (5) business days of receipt, reject any which are not, expressly stating, in writing, the reason for rejection;
 - (iv) determine if a Nominee for which a Nominating Petition has been received meets all Director Qualifications under Section 4.02 and, within five (5) business days, reject any Nominees which do not meet all Director Qualification, expressly stating the reason for rejection;
 - (v) provide the Cooperative's Secretary with a complete list of all Nominees satisfying the Director Qualifications for which a proper Nominating Petition was timely received, at least thirty (30) days before the date of the Voting Meeting at which the election will be held;
 - (vi) oversee or supervise Member registration and voting, and the tabulation of Member votes at the Voting Meeting; and
 - (vii) 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 satisfies the Director Qualifications (collectively, "Voting Meeting Issues").
- (c) **C&E Committee Actions.** The C&E Committee may meet, consider, or decide Member Meeting Issues, or otherwise act, only if a quorum of the C&E Committee members are present. A quorum of such C&E Committee shall be six (6). A C&E Committee decision or action requires a vote of at least a majority of the C&E Committee members present. Except as otherwise provided in this Bylaw, C&E Committee decisions or actions during, or within a reasonable time before or after, a Voting Meeting are final. At the Cooperative's expense, the Cooperative shall make available legal counsel to the C&E Committee.
- (d) **Nominations to be by Petition.** Candidates (including incumbents whose terms are expiring) who desire to run for election for a Director position scheduled for election at the next Voting Meeting shall deliver to the Secretary of the C&E Committee, at least **forty-five (45)** days before the Voting Meeting, a written Petition of Nomination ("**Nominating Petition**") that:
- (i) lists, on each page of the Nominating Petition, the name of the candidate ("Nominee");
 - (ii) indicates, on each page of the Nominating Petition, the District in which the Nominee resides (or in which the Entity

- Member designating such Nominee pursuant to Section 4.02(a) is located), and the Directorate District position for which such individual is being nominated, which must be the same; and
- (iii) contains the printed names, addresses, and telephone numbers, and original dated signatures signed within sixty (60) days of the first signature, of at least twenty (20) Members who reside in the Directorate District for which the Nominee is being nominated.
 - (iv) No Member may sign a Nominating Petition for more than one (1) Nominee in a single election. If a Member does sign a Nominating Petition for more than one (1) Nominee, the Member's signature shall not be valid on any of the petitions signed by the Member.
 - (v) If a membership is jointly held, all of the persons holding such joint membership shall be treated as one Member and only one of such persons may sign a Nominating Petition for any single election. If more than one such person signs a Nominating Petition, for different Nominees, none of the signatures for such Member shall be counted. If more than one such person signs a Nominating Petition, but all for the same Nominee, only one of such signatures shall be counted.
- (e) **Display of Petitions.** After verifying that a Nominating Petition complies with this Bylaw, the C&E Committee shall display the Nominating Petition in public view at the Cooperative's headquarters and on the Cooperative's website. Such display and listing shall be arranged by Directorate District and listed within each Directorate District in the order received in qualifying form by the Secretary of the C&E Committee.
- (f) **No Nominations from the Floor or Written-In.** Nominations of an individual to run for election to a Director position scheduled for election at a Voting Meeting will not be accepted from the floor at such meeting, nor will write-in votes naming persons not properly nominated in accordance with the foregoing be counted.
- (g) **Notice of Nominees.** The Cooperative's Secretary shall be responsible for mailing with the notice of the Voting Meeting or separately, but at least five (5) days before the date of such meeting, a statement of the number of board members to be elected and the name and addresses of the Nominees properly nominated by petition as determined by the C&E Committee. The names of the Nominees shall be arranged by Directorate District and listed within each Directorate District in the order received in qualifying form by the Secretary of the C&E Committee.
- (h) **Member Challenge.**
- A. A Member entitled to vote at a Voting Meeting may comment upon a Voting Meeting Issue, or challenge the C&E Committee's decision or action regarding a Voting Meeting Issue, by filing a written description of the Member's comment or challenge ("Member Challenge") with the Cooperative within three (3) business days following the Member Meeting addressed by the Member Challenge.
 - B. Within thirty (30) days of receiving a Member Challenge, the C&E Committee shall:
 - (i) as determined by the C&E Committee, meet and receive oral or written evidence from a Member, or legal counsel representing the Member, directly and

- substantially implicated in, or affected by, the Member Challenge; and
- (i) consider, decide, and rule on the Member Challenge.
- C. 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 Voting Meeting.

SECTION 4.07. Voting for Directors; Validity of Board Action.

In the election of Directors, each Member shall be entitled to cast the number of votes (but not cumulatively) which corresponds to the total number of Directors to be elected, but no Member may vote for more Nominees than the number of Directors that are to be elected from any particular Directorate District. Ballots marked in violation of the foregoing restriction with respect to one or more Directorate Districts shall be invalid and shall not be counted with respect to such District(s); however, they shall be valid in regard to any other Directorate District for which a vote is made thereon. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after election of Directors.

SECTION 4.08. Removal of Directors by Members. Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition signed by not less than ten percent (10%) of the total membership of the Cooperative, which petition calls for a special member meeting, the stated purpose of which shall be to hear and act upon such charge(s) and, if one or more directors are recalled to elect their successor(s), and which specifies the place, time and date thereof not less than sixty (60) days after filing of such petition, or which requests that the matter be acted upon at the subsequent annual member meeting if such meeting will be held no sooner than sixty (60) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s) is(are) being made. The petition shall be signed by each member in the same name as he/she is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than five (5) days prior to the member meeting at which the matter will be acted upon:

PROVIDED, that the notice shall set forth only twenty (20) of the names (in alphabetical order) of the members filing one or more

charges if twenty (20) or more members file the same charge(s) against the same director(s). Such director(s) shall be informed in writing of the charge(s) after they have been validly filed and at least twenty (20) days prior to the meeting of the members at which the charge(s) are to be considered, and shall have an opportunity at the meeting to be heard in person, by witnesses, by a counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor;

PROVIDED, that the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting, through oral statements, documents or otherwise. A newly elected director shall be from or with respect to the same Directorate District as was the director whose office he succeeds and shall serve the unexpired portion of the removed director's term.

SECTION 4.09. Vacancies. Subject to the provisions of these By-Laws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring on the Board of Directors or Nominating Committee shall be filled by the Board of Directors. A director or committee member thus elected shall serve out the unexpired term of the director or committee member whose office was originally vacated and until a successor is elected and qualified:

PROVIDED, that such a Director or committee member shall be from or with respect to the same Directorate District as was the director or committee member whose office was vacated.

SECTION 4.10. Compensation; Expenses. Directors shall, as determined by a resolution of the Board of Directors, receive on a per diem basis, a fixed fee, which may include insurance benefits for (a) attending meetings of the Board of Directors and for (b) the performance of other Cooperative business when such has had prior approval of the Board of Directors for the performance of other Cooperative business. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by a vote of the members or such payment and amount shall be specifically authorized by the Board of Directors upon their certification of such as an emergency measure:

PROVIDED, that a director who is also an officer of the Board and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the Board of Directors.

SECTION 4.11. Rules, Regulations, Rate Schedules, and Contracts. The Board of Directors shall have the power to make, adopt, amend, abolish and promulgate such rules, regulations, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with laws or the Cooperative's Articles of Incorporation or By-Laws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 4.12. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of such year. A full and accurate summary of such audit reports shall be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete to partial, at any time and for any specified period of time.

SECTION 4.13. Subscription to Cooperative's Newsletter; Subscription to Statewide Publication. For the purpose of disseminating information devoted to the economical, effective, and conservative use of electric energy, the Board of Directors shall be empowered on behalf of and for circulation of the members periodically, to subscribe to the Cooperative's newsletter, "CO-OP ECHOS," the cost of which shall be deducted from any funds accruing in favor of such members, so as to reduce such funds in the same manner as would any other expense of the Cooperative. The Board of Directors shall also be empowered, on behalf of and for circulation to the members periodically, to subscribe to the statewide publication, "IREN (Illinois Rural Electric News)," the annual subscription price, the cost of which shall be deducted from any funds accruing in favor of such members, so as to reduce such funds in the same manner as would any other expense of the Cooperative.

ARTICLE V MEETINGS OF DIRECTORS

SECTION 5.01. Regular Meetings. A regular meeting of the Board of Directors shall be held, without notice, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual member meeting. A regular meeting of the Board of Directors shall also be held monthly at such date, time and place in one of the counties in Illinois within which the Cooperative serves as the Board shall provide by resolution. Such regular monthly meeting may be held without notice other than such resolution giving the date, time and place thereof, except when business to be transacted thereat shall require special notice: PROVIDED, that any director absent from any meeting of the Board at which such a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination of change at least five (5) days prior to the next meeting of the Board; AND PROVIDED FURTHER, that, if a policy therefor

is established by the Board, the Chairman of the Board may change the date, time or place of a regular monthly meeting for good cause and upon not less than five (5) days' notice thereof to all directors.

SECTION 5.02. Special Meetings. Special meetings of the Board of Directors may be called by Board resolution, or by at least three (3) directors or by the Chairman of the Board, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03. The Board, the Chairman of the Board, or the directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties in Illinois within which the Cooperative serves, unless all directors consent to its being held in some other place in Illinois or elsewhere.

SECTION 5.03. Notice of Directors' Special Meetings. Written notice of the date, time, place and purpose(s) of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each director not less than five (5) days prior thereto, either personally or by mail, by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by him or those calling it in the case of a special meeting or by any director in the case of a meeting whose date, time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at his address as it appears on the records of the Cooperative, with first class postage thereupon prepaid, and postmarked at least five (5) days prior to the meeting date. The attendance of a director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

SECTION 5.04. Quorum. The presence in person of a majority of the directors in office shall be required for the transaction of business and the affirmative votes of a majority of the directors present shall be required for any action to be taken:

PROVIDED, that a director who by law or these By-Laws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of Directors in office or present;

AND PROVIDED FURTHER, that, if less than a quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause the absent Directors to be duly and timely notified of the date, time and place of such adjourned meeting.

ARTICLE VI OFFICERS, MISCELLANEOUS

SECTION 6.01. Number and Title. The officers of the Cooperative shall be a Chairman of the Board, Vice Chairman, Secretary and Treasurer, and such other officers as may from time to time be determined by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person.

SECTION 6.02. Election and Term of Office. The four officers named in Section 6.01 shall be elected by secret written ballot, annually and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of the By-Laws with respect to the removal of directors and to the removal of officers by the Board of Directors. Any other officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

SECTION 6.03. Removal. Any officer, agent or employee elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served.

SECTION 6.04. Vacancies. A vacancy in any office elected or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term.

SECTION 6.05. Chairman of the Board. The Chairman of the Board shall:

- (a) be the principal executive officer of the Cooperative and shall preside at all meetings of the Board of Directors and, unless determined otherwise by the Board of Directors, at all meetings of the members
- (b) sign, with the Secretary, certificates of membership the issue of which shall have been authorized by resolution of the Board of Directors, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general, perform all duties incident to the office of Chairman of the Board and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 6.06. Vice Chairman. In the absence of the Chairman of the Board, or in the event of his inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman of the Board, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board; and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.07. Secretary. The Secretary shall:

- (a) keep, or cause to be kept, the minutes of meetings of the members and of the Board of Directors in one or more books provided for that purpose;

- (b) see that all notices are fully given in accordance with these By-Laws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and to all documents the execution of which, on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these By-Laws or is required by law;
- (d) keep, or cause to be kept, a register of the name and post office address of each member, which address shall be furnished to the Cooperative by such member;
- (e) sign, with the Chairman of the Board, certificates of membership the issue of which shall have been authorized by resolution of the Board of Directors;
- (f) have general charge of the books of the Cooperative in which a record of the members is kept;
- (g) keep on file at all times a complete copy of the Cooperative's Articles of Incorporation and By-Laws, together with all amendments thereto, which copies shall always be open to the inspection of any member, and, at the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto upon request to any member; and
- (h) in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.08. Treasurer. The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for monies due and payable to the Cooperative from any 'source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or banks or in such financial institutions or securities as shall be selected in accordance with the provisions of these By-Laws; and
- (c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.09. Delegation of Secretary's and Treasurer's Responsibilities. Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6.07 and 6.08, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one or more agents, other officers or employees of the Cooperative who are not directors. To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities and authorities.

SECTION 6.10. Chief Executive Officer; President. The Board of Directors may appoint a Chief Executive Officer, who may be, but who shall not be required to be, a member of the Cooperative, and who also may be designated President. Such officer shall perform such

duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to time vest in him.

SECTION 6.11. Bonds. The Board of Directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

SECTION 6.12. Compensation; Indemnification. The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be determined as provided in Section 4.10 of these By-Laws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed or a plan therefor approved by the Board of Directors. The Cooperative shall indemnify Directors, officers, including the President; Chief Executive Officer, agents and employees, as provided in the General Not-for-Profit Corporation Act, Section 24a, Ill. Rev. Stat. Ch. 32, Section 163a23.1 (1983). The Cooperative may purchase insurance to cover such indemnification.

SECTION 6.13. 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.

ARTICLE VII CONTRACTS, CHECKS AND DEPOSITS

SECTION 7.01. Contracts. Except as otherwise provided by law or these By-Laws, the Board of Directors may authorize any Cooperative officer, agent or employee 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 7.02. Checks, Drafts, etc. 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 or countersigned by such officer, agent or employee of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 7.03. Deposits; Investments. All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks in such financial securities or institutions as the Board of Directors may select.

ARTICLE VIII MEMBERSHIP CERTIFICATES

SECTION 8.01. Certificate of Membership. Membership in the Cooperative may, if the Board so resolves, be evidenced by a certificate of membership, which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Cooperative's Articles of Incorporation or its By-Laws. Such certificate, if authorized to be issued by the Board, shall be signed by the Chairman of the Board and the Secretary, and the seal shall be affixed thereto; PROVIDED, that the seal and the signatures of the Chairman of the Board and the Secretary may be imprinted thereon by facsimile.

SECTION 8.02. Issue of Membership Certificates. No membership certificate shall be issued for less than the membership fee fixed by the Board of Directors nor until such membership fee, any required service security deposits, facilities extension deposits, service connection fees, or contributions in aid of construction have been fully paid.

SECTION 8.03. Lost Certificate. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

ARTICLE IX NON-PROFIT OPERATION

SECTION 9.01. 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 members or patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members or patrons.

SECTION 9.02. Patronage Capital in Connection with Furnishing Electric Energy and Other Services. In the furnishing of energy or other services to members or patrons on a Cooperative Basis, the Cooperatives operation shall be so conducted that all members or 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 members or patrons who use services for all amounts received and receivable from the furnishing of energy or other services in excess of operating costs and expenses properly chargeable against the furnishing of those services.

The Board of Directors shall direct the Cooperative management to equitably allocate margins and losses separately among those various operating divisions of the Cooperative that the Board of Directors might, from time to time, establish.

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 members and patrons as capital.

The Cooperative is obligated to pay all credits to a capital account for each member and patron according to the services which they have received during that year on 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 as to allow the Cooperative to allocate capital credit according to the services provided to each member or patron of the Cooperative, and that at the end of each calendar year, the amount of capital, if any, will be clearly reflected and credited in an appropriate record to the capital account of each member or patron, and the Cooperative shall, within a reasonable time after the close of the calendar year, notify each member or patron who used services of the amount of capital so credited to his account, and all such amounts credited to the capital account of any member or patron shall have the same status as though they had been paid to the member or patron in cash pursuant to a legal obligation to do so, and the member or patron had furnished the Cooperative corresponding amounts of capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, in the discretion of the Board of Directors, and insofar as permitted by law, be allocated: (a) to offset any losses incurred during the current or any prior fiscal year; or (b) to reserves to offset any losses incurred in any prior, current or future calendar year; or (c) to the extent not needed for those purposes, to all its members or patrons on a patronage basis, and included as part of the capital credited on the account of its members and patrons, as provided herein.

All other amounts received by the Cooperative from non-operation activity in excess of costs and expenses shall, in the discretion of the Board of Directors and insofar as permitted by law, be used to offset any losses incurred during the current or any prior fiscal year, and to the extent not needed for that purpose, at the discretion of the Board of Directors, (a) shall be allocated to the members or patrons on a patronage basis; or (b) allocated to the permanent capital of the Cooperative. Any amount so allocated to members or patrons shall be included as part of the capital credited to the accounts of its members or patrons, as provided herein.

In the event of the dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members: PROVIDED, that insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were members or patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such members or patrons during that period, insofar as is practicable, as determined by the Board of Directors before any payments are made on account of property rights of members. [If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to members' and/or patrons' accounts may be retired in full or in part]. The Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital: PROVIDED,

however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply or other service or supply portion") of capital credited to the account of the members or patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing power supply or any other service or supply to the Cooperative. Such rules shall (a) establish a method for determining the portion of such capital credited to each member or patron for each applicable fiscal year; (b) provide for separate identification on the Cooperative's books of such portion of capital credited to the Cooperative members or patrons; (c) provide for appropriate notifications to members or patrons with respect to such portions of capital credited to their accounts; and (d) preclude a general retirement of such portions of capital credited to members or patrons for any fiscal year prior to the general retirement of other capital credited to members or patrons for the same year or of any capital credited to members or patrons for any prior fiscal year.

Capital credited to the account of each member or patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor, and only to successors in interest or successors in occupancy in all or a part of such member's or patron's premises served by the Cooperative, unless the Board of Directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions of these By-Laws, the Board of Directors shall at its discretion have the power at any time upon the death of any member or patron who was a natural person (or, if as so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a member or patron, which assignee was a natural person), if the legal representative of his estate shall request in writing that the capital so credited or assigned, as the case may be, be retired prior to the time such capital would otherwise be retired under the provisions of the By-Laws, to retire such capital immediately upon such terms and conditions as the Board of Directors acting under policies of general application to situations of like kind and such legal representatives, shall agree upon: PROVIDED, however, that the financial condition of the Cooperative will not be impaired thereby.

The Cooperative, before retiring any capital credited to any member's or patron's account, shall deduct therefrom any amount owing by such member or patron to the Cooperative, together with interest thereon at the Illinois legal rate of judgments in effect when such amount became overdue, compounded annually.

SECTION 9.03. Patrons; Members' and Non-Members' Responsibilities. The members or patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and By-Laws shall constitute and be a contract between the Cooperative and each member or patron, and both the Cooperative and the members and patrons are bound by such contract, as fully as though each member or patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the By-Laws shall be called to the attention of each member or patron of the Cooperative by posting in a conspicuous place in the Cooperative's offices.

**ARTICLE X
WAIVER OF NOTICE**

Any member or director may waive, in writing, any notice of meetings required to be given by these By-Laws or any notice that may otherwise be legally required, either before or after such notice is required to be given.

**ARTICLE XI
DISPOSITION AND PLEDGING OF
PROPERTY; DISTRIBUTION OF SURPLUS
ASSETS ON DISSOLUTION**

SECTION 11.01. Disposition and Pledging of Property:

- (a) **Sale, Lease, Exchange or Other Disposition of Property.** The Cooperative may not sell, lease, exchange or otherwise dispose of any of its property, other than:
- (i) property which in the judgment of the Board of Directors is, or will be, neither necessary nor useful in operating or maintaining the Cooperative's system, provided sales of such property, in any calendar year, shall not exceed thirty-five percent (35%) of the value of all of the property, real and personal, of the Cooperative;
 - (ii) services of all kinds, including electric energy; and
 - (iii) personal property acquired for resale unless and until such sale, lease, exchange or other disposition has been authorized by the affirmative vote of two-thirds (2/3) of the votes present and voted, either in person or by proxy, at any regular meeting of members or at a special meeting called for that purpose. The notice of any such meeting, regular or special, shall contain a statement of such purpose and a general description of the terms of the proposed sale, lease, exchange or other disposition of the Cooperative's property.
- (b) **Mortgage and Pledge of Cooperative Property.** The Board of Directors, without authorization of by the members, shall have authority to borrow money solely for the proper purposes of the Cooperative and in the usual and regular course of the conduct of the affairs of the Cooperative and to execute and deliver promissory notes or other evidences of indebtedness and one or more mortgages or deeds of trust, pledging and encumbering any or all of the property, revenues, and assets of every kind of the Cooperative, to secure the indebtedness thus incurred.

Non-Applicability. The provisions of this article shall not apply to a sale, lease, exchange or other disposition of the Cooperative property to one or more other rural electric cooperatives if the substantial or actual legal effect thereof is to merge or consolidate with such other cooperative or cooperatives.

Any fifty (50) or more members; by so petitioning the Board not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made. The provisions

of this subsection (b) shall not apply to a sale, lease, lease-sale, exchange, transfer or other disposition to one or more other electric cooperatives if the substantive or actual legal effect thereof is to merge or consolidate with such other one or more electric cooperatives.

SECTION 11.02. Distribution of Surplus Assets on Dissolution.

Upon the Cooperative's dissolution, any assets remaining after all liabilities or obligations of the Cooperative have been satisfied and discharged shall, to the extent practicable as determined by the Board of Directors not inconsistently with the provisions of the third paragraph of Section 9.02 of these By-Laws, be distributed without priority but on a patronage basis among all persons having been members of the Cooperative for any period(s) during its existence: PROVIDED, HOWEVER, that, if in the judgment of the Board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more non-profit charitable or educational organizations that are exempt from Federal income taxation.

ARTICLE XII FISCAL YEAR

The Cooperative's fiscal year shall begin on the first day of the month of January of each year and end on the last day of the month of December following.

ARTICLE XIII RULES OF ORDER

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

ARTICLE XIV AMENDMENTS

These By-Laws may be altered, amended or repealed by the members of the Cooperative at any regular or special member meeting, but only if a notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal, or an accurate summary explanation thereof.

