



# Kandiyohi Power Cooperative

Your Touchstone Energy® Partner 



## Articles of Incorporation

As restated at the meeting of members on March 30, 1996;  
as amended March 20, 1999; June 22, 2004.

And

## Bylaws

As amended at the meeting of members on April 5, 1997;  
March 20, 1999; March 31, 2001; April 6, 2002; June 22, 2004;  
July 25, 2006; July 24, 2007; and March 24, 2013



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**AMENDED ARTICLES OF INCORPORATION  
OF  
KANDIYOHI POWER COOPERATIVE**

**ARTICLE I**

**SECTION 1.** The Name of this Association shall be **KANDIYOHI POWER COOPERATIVE.**

**SECTION 2.** The conduct of the business of this Association shall be upon the cooperative plan. The purpose for which this Association is formed and the general nature of its business is to furnish, improve and expand electrical service on a cooperative basis and for any other lawful purpose.

**SECTION 3.** The principle place of transacting the business of this Association shall be in the County of Kandiyohi, State of Minnesota. The current legal address of the Association is 8605 47<sup>th</sup> Street NE, Spicer, Minnesota 56288.

**ARTICLE II**

The period of duration of this Association shall be perpetual.

**ARTICLE III**

**(Membership)**

The Association shall not have any capital stock. It shall be organized on a membership basis with each member entitled to one vote. Memberships shall be transferrable only with the consent and approval of the board.

**ARTICLE IV**

**(Capital Credits)**

In the furnishing of service the Association's operation shall be conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Association. The Association is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric service in excess of operating costs and expense properly chargeable against the furnishing of electric service and in excess of additions to reserves. All such amounts at the moment of receipt by the Association are received with the understanding that they are furnished by the patrons as capital which the Association is obligated to pay by credits to a capital

account for each patron. The books and records of the Association shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each person is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Association shall within a reasonable time after the close of the fiscal year notify each patron in writing of the amount of capital so credited to his/her account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had been furnished the Association corresponding amounts for capital.

## **ARTICLE V**

### **(Board of Directors)**

SECTION 1. The government of this Association and the management of its affairs and business shall be vested in a Board of Directors consisting of not less than seven (7), nor more than nine (9), directors who shall be elected in such manner and for such terms as the bylaws may pre-scribe.

SECTION 2. A director of this Association shall not be personally liable to the Association or its members for monetary damages for breach of fiduciary duty as a director excepting:

- (1) for a breach of the director's duty of loyalty to the Cooperative Association or its members;
- (2) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of the law;
- (3) for a transaction from which the director derived an improper personal benefit;
- (4) for an act or omission occurring prior to the date when this section was adopted by the members of the Association.

## **ARTICLE VI**

SECTION 1. The Bylaws of this Association may define and fix the duties and responsibilities of the members, officers and directors and may also contain any other provision for the regulation of the business and affairs of this Association not inconsistent with these Articles of Incorporation or the laws of the State of Minnesota.

**BYLAWS**  
**OF**  
**KANDIYOHI POWER COOPERATIVE**

**ARTICLE I**  
**MEMBERSHIP**

SECTION 1.1.        Eligibility

Any (1) natural person, (2) firm, (3) association, (4) corporation, (5) business trust, (6) partnership, (7) limited liability company, (8) state, state agency, or state political subdivision, (9) the United States of America, or any federal agency or federal political subdivision, or (10) other body politic or subdivision thereof, with the capacity to enter legally binding contracts, (collectively, “person”), will become a member of KANDIYOHI POWER COOPERATIVE (hereinafter called the “Cooperative” upon receipt of electric 1) energy provided by the Cooperative or 2) such other service or product as determined by the Cooperative’s Board of Directors (hereinafter referred to collectively as “services”) from the Cooperative. Membership is automatic and instantaneous upon receipt of service; however, each member shall, within a reasonable time of the initial receipt of services complete and sign a written application for membership for the Cooperative’s records in which the member;

- (1)    Agrees to purchase services from the Cooperative in accordance with established rates, as well as pay other charges for services that the member uses and the Cooperative is obligated by law or contract to collect; and
- (2)    Agrees to comply with, and be bound by, the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board; and

The status of all memberships shall be as reflected upon the books of the Cooperative. No membership certificates will be issued, however, each member will be assigned a member number.

SECTION 1.2.        Definition and Classifications

- (a)    The Board will determine under rules of general application the types of services received that give rise to the privileges and obligations of membership.
- (b)    Each time-sharing or interval ownership premises made up of time-sharing or interval ownership units is considered as a single corporate member. The owner of seasonal, recreational and short-interval rental properties will be deemed to hold the membership.

- (c) No member may hold more than one membership in the Cooperative. Except as otherwise provided for in these Bylaws, a membership in the Cooperative shall be transferable at the request of the member, but only with the consent and approval of the Board of Directors.
- (d) All memberships in the Cooperative are extended only to individual persons (natural or corporate) who meet the requirements of Section 1.1. Individual memberships will be freely transferable on the books of the Cooperative between any persons in the same household or corporation upon request in writing. A joint membership may be extended, upon application therefore, to a husband and wife or to two or more natural persons occupying the same location to or for which the Cooperative provides service. Thus, the term "member" as used in these Bylaws shall refer to an individual but can be deemed to include natural persons holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:
  - (1) The presence at a meeting of any or all shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
  - (2) The vote of any separately or all jointly shall constitute one joint vote;
  - (3) A waiver of notice signed by any or all shall constitute a joint waiver;
  - (4) Notice to any shall constitute notice to all;
  - (5) Expulsion of any shall terminate the joint membership;
  - (6) Withdrawal of any shall terminate the joint membership;
  - (7) Any one, but not more than one, may be elected or appointed as an officer or board member if individually qualified;
  - (8) If the death of any person who is a party to the joint membership leaves only one party to the joint membership surviving, such membership shall be converted to an individual membership. The surviving individual shall have the right to elect one of two options:
    - (i) To terminate the joint membership, in which event capital previously allocated and credited to the joint membership may be distributed in accordance with the provisions of Section 7.2 of these Bylaws; or,

- (ii) To convert such membership to an individual membership, in which event capital previously allocated and credited to the joint membership shall be re-allocated and re-credited to the surviving joint members.

The election shall be made in writing by the surviving party using a form approved by the Cooperative. The estate of the decedent shall not be released from any debts due the Cooperative.

- (e) The Board may upon its own resolution establish membership classes based upon a member's use, receipt, or purchase of one (1) or more services from the Cooperative and the Cooperative may group members into such classes and may define rights and privileges of each class. In classifying members:
  - (1) No member may be a member of more than one (1) member class.
  - (2) Based upon a member's use, receipt or purchase of one (1) or more service from the Cooperative, the Cooperative shall group the member in descending order of priority as a Class A member, Class B member; and
  - (3) Upon the Cooperative learning of, or upon a member demonstrating to the Cooperative's reasonable satisfaction, a change in any member's use, receipt or purchase of one (1) or more services from the Cooperative, then, if necessary, the Cooperative shall re-classify the member to the Class reflecting such member's new use, receipt or purchase of services.

#### SECTION 1.3. Purchase of Services

Each person who applies for service shall, as soon as service is available, take service from the Cooperative. The member shall pay therefore monthly at rates in accordance with rates established by the Board. It is expressly understood that amounts received by the Cooperative for all electric services in excess of cost are furnished by the members from the moment of receipt as capital, and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay the above amounts owed by him/her to the Cooperative as and when the same shall become due and payable.

#### SECTION 1.4. Termination of Membership

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than 2/3 of all the members of the Board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules and regulations adopted by the Board, but only if such member shall have been given notice by the Cooperative that such failure

makes him/her liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board.

- (b) Upon the withdrawal, death, cessation of service or expulsion of a member, the membership of such member shall thereupon terminate and will be so recorded on the books of the Cooperative. Termination of membership in any manner shall not release a member or his/her estate from any debts due the Cooperative nor do unpaid bills release members from their obligations under these Bylaws or rules and regulations approved by the Board.

## **ARTICLE II**

### **RIGHTS AND LIABILITIES OF THE COOPERATIVE AND THE MEMBERS**

#### SECTION 2.1.            Service Obligations

The Cooperative will use reasonable diligence to furnish adequate and dependable services, but it cannot and does not guarantee uninterrupted services, nor will it always be able to provide every service desired by each individual member.

#### SECTION 2.2.            Cooperation of the Members in the Extension of Services

The cooperation of members of the Cooperative is imperative to the successful, efficient, and economical operation of the Cooperative. Members who are receiving or who are requesting service shall be deemed to have consented to the reasonable use of their real property to construct, operate, maintain, replace or enlarge service facilities, overhead or underground, including all conduit, cables, wires, surface testing terminals, markers and other appurtenances under, through, across, and upon any real property or interest therein owned or leased or controlled by said member for the furnishing of service facilities to said member, or any other member, at no cost to the Cooperative. When requested by the Cooperative, the member does agree to execute any easement or right-of-way contract on a form to be furnished by the Cooperative.

#### SECTION 2.3.            Non-liability for Debts of the Cooperative

The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

#### SECTION 2.4.            Property Interest of Members

Upon dissolution, after:

- (a) All debts and liabilities of the Cooperative shall have been paid;

- (b) All capital furnished through patronage shall be retired as provided in these Bylaws; and

The remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each member and former member bears to the total patronage of all such members and such former members on the date of dissolution unless otherwise provided by law.

### **ARTICLE III**

#### **MEETINGS OF MEMBERS**

##### SECTION 3.1.           Annual Meeting

The annual meeting of the members shall be held at a date and place as selected by the Board for the purpose of electing Board members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative nor affect the validity of any corporate action.

##### SECTION 3.2.           Special Meetings

Special meetings of the members may be called by a majority vote of the directors or upon written petition signed by at least twenty percent (20%) of the members entitled to vote at a meeting of the members.

##### SECTION 3.3.           Notice of Members' Meetings

Notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be given by the Secretary by publishing it in a publication of the Cooperative that is regularly published by or on behalf of the Cooperative and circulated generally among the members entitled to vote at a meeting of the members at least two (2) weeks previous to the date of such meeting, or by mailing notice thereof to each and every member entitled to vote at a meeting of the members personally not less than fifteen (15) days previous to the date of such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the U. S. Mail, addressed to the member at his/her address as it appears on the records of the Cooperative, with postage thereon paid. Notice of special meetings shall be issued within ten (10) days from and after the date of the presentation of the written request mentioned in Section 3.2 of this Article III, and such special meeting shall be held within thirty (30) days from and after the date of the presentation of such request. The incidental or unintended failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 3.4. Postponement of a Meeting of the Members

In the event of inclement weather or the occurrence of a catastrophic event, the meeting of the members may be postponed by the Chair. Notice of the adjourned meeting shall be given by the Chair in any media of general circulation or broadcast serving the area.

SECTION 3.5. Quorum

At any regular or special meeting of the members of the Cooperative, fifty (50) members entitled to vote at a meeting of the members present in person shall constitute a quorum. In determining a quorum at any meeting, on a question submitted to a vote by mail, members entitled to vote at a meeting of the members present in person or represented by mail vote shall be counted. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The fact of the attendance of a sufficient number of members to constitute a quorum shall be established by a registration of the members present at such meeting, which registration shall be verified by the Chair and Secretary of the Cooperative and shall be reported in the minutes of the meeting.

SECTION 3.6. Voting

Each member entitled to vote shall be entitled to only one vote upon each matter submitted to a vote of the members for which the member is entitled to vote. All questions shall be decided by a vote of a majority of the members voting thereon by mail, or electronically if adopted pursuant to Section 3.7 hereof, except as otherwise provided by law, the Articles of Incorporation or these Bylaws.

The ballot shall be in the form pre-scribed by the Board of Directors of the Cooperative and shall contain the list of all candidates for the office of director up for election and the exact text of the proposed motion, resolution or amendment to be acted upon and the date by which ballots must be submitted; and shall also contain spaces opposite the candidates or the text of such motion, resolution or amendment in which such member may indicate his/her affirmative or negative vote therein. Such member shall express his/her choice by making an "x" in the appropriate space upon such ballot. Such ballot shall be enclosed in a sealed official envelope provided by the Cooperative, inside another envelope bearing the member's name and address, addressed to the Secretary and deposited in the U.S. Mail, postage prepaid. If received by the Secretary of the Cooperative by the close of business on the day set as the date by which ballots must be submitted, the ballot shall be accepted and counted as the vote of the member. The failure of any such member to receive a copy of any such motion or resolution or ballot shall not invalidate any action which may be taken by the members by such vote.

SECTION 3.7. Electronic Voting

The Board of Directors of the Cooperative may, upon its own resolution, adopt and implement a system of electronic voting for use in elections of directors or upon matters presented to the

members for vote. No system of electronic voting shall be implemented unless the secrecy of each member's vote is adequately preserved and the Cooperative is able to authenticate that it is a Cooperative member who is casting the vote. In the event that a system of electronic voting is implemented, voting by mail shall continue to be made available to each member as an alternative.

SECTION 3.8.            Voting List

The Secretary shall make at least fifteen (15) days before such meeting of members, a complete list, arranged in alphabetical order, of the members entitled to vote meeting and their addresses. Such list shall be produced and kept open at the time and place of the meeting, and shall be subject to the inspection of any member during the whole time of the meeting.

SECTION 3.9.            Order of Business

The order of business at meetings of the members shall be conducted under an agenda and policies established by the Board except as otherwise determined by the members present and entitled to vote at such meeting. At any annual or special meeting, Members may only vote upon matters described in the notice of meeting. The Cooperative shall include in the notice of meeting (1) any matter which the Board determines should be submitted to a vote of the members at the meeting and (2) any matter which a member entitled to vote at a meeting of the members may raise or discuss at the meeting if a written request to include such matter, signed by a percentage of the total membership members entitled to vote at a meeting of the members equal to the percentage needed entitled to call a special meeting of the membership, is received by the Cooperative at least ten (10) business days prior to delivery of the notice of the meeting.

**ARTICLE IV**

**DIRECTORS**

SECTION 4.1.            General Powers

The business and affairs of the Cooperative shall be managed by a Board of nine (9) directors which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation, or these Bylaws conferred upon or reserved to the members.

SECTION 4.2.            Districts, Election and Tenure of Office

A transition period, commencing on the date of the annual meeting of members to be held in the year 2015 and ending on the date of the annual meeting of members to be held in the year 2017, shall be used to effect the transition of the present board of directors to a reformed board of directors consisting of three directors elected from each of three newly formed districts which

will replace the current districts. Each respective newly formed district shall be comprised of the area within the following townships.

District No. 1 – Norway Lake, Colfax, Burbank, Roseville, New London and Irving Townships (Kandiyohi County); Crow River and Crow Lake Townships (Stearns County).

District No. 2 – Hayes and Pillsbury Townships (Swift County); Woods and Lone Tree Townships (Chippewa County); Arctander, Lake Andrew, Mamre, Dovre, St. Johns, Edwards and Holland Townships (Kandiyohi County).

District No. 3 – Green Lake, Harrison, Willmar, Kandiyohi, Genessee, Whitefield, Fahlun, Lake Elizabeth, Roseland, Lake Lillian and East Lake Lillian Townships (Kandiyohi County).

During the transition period the following provisions governing election of directors and district representation shall apply:

1. Each incumbent director whose term does not expire in the year 2015 shall continue to serve as a representative of the current district from which he or she was elected until the expiration of his or her current term.
2. At the annual meeting of members to be held in the year 2015 and election shall be held to elect one director from each of the newly formed districts, each for an initial term of three years. Current districts No. 3, 4 and 6 shall cease to exist.
3. At the annual meeting of members to be held in the year 2016, an election shall be held to elect one director from each of the newly formed districts, each for an initial term of three years. Current districts No. 1, 7 and 8 shall cease to exist.
4. At the annual meeting of members to be held in the year 2017, an election shall be held to elect one director from each of the newly formed districts, each for an initial term of three years. Current districts No. 2, 5 and 9 shall cease to exist.

After the transition period, the directors from each of these districts shall be elected for a term of three (3) years as their current terms expire, or until their successors shall have been elected and shall have qualified. The directors shall be elected by secret ballot at the time of the annual meeting of the members and each member entitled to vote on a matter presented to the members for a vote and who resides in the district for which election of the director is held shall have the right to cast a vote for a director candidate of that district. Directors may be elected by a plurality vote. In the event of a tie between the candidates receiving the highest number of votes, there shall be an official recount made immediately and if the tie still exists, the winner shall be determined by the flip of a coin.

In the event that there is only one candidate for election to a Director position, either through filing or by nomination, the single candidate shall be deemed elected by acclamation as an unopposed candidate and no voting shall be required for such an uncontested Director election. The notice of the annual meeting of members shall state the name of the candidate elected by acclamation and a report of such election by acclamation shall be given to the members at the annual meeting of members.

SECTION 4.3. Qualifications to Become or Remain a Director

No person shall be eligible to become or remain a director of the Cooperative who:

- (a) is not a member and is not presently residing in the area served or to be served by the Cooperative; or
- (b) is, or within three (3) years preceding the date of his/her nomination as a director candidate was, an employee of the Cooperative or in any way employed by or substantially financially interested in an enterprise competing with the Cooperative or any Cooperative-affiliated business; or
- (c) is not a resident of the district to be represented;
- (d) is a spouse, child, parent, grandparent, grandchild, brother or sister of an incumbent director or of an employee of the Cooperative or of anyone who within three (3) years preceding the date of nomination as a director candidate was, an employee of the Cooperative or in any way employed by or substantially financially interested in an enterprise competing with the Cooperative or any Cooperative-affiliated business; or
- (e) is or becomes the full-time employer, employee, principal or agent of an incumbent director;
- (f) is or becomes or, within three (3) years preceding the date of his/her nomination as a director candidate, was, employed by a labor union which represents, or has represented, or has endeavored to represent any employee of the Cooperative.
- (g) has not, before the end of his/her first term of office which begins after the adoption of this subparagraph (g), successfully completed the NRECA Credentialed Cooperative Director training course or an equivalent retraining course approved by the Board of Directors

With respect to the provisions of this Section that are based upon close relative relationships, no incumbent director shall lose eligibility to remain a director or to be re-elected as a director if, during such director's incumbency, he/she becomes a disqualifying relative of another incumbent director or of a Cooperative employee as a result of a marriage or an adoption to which the director was not a party.

SECTION 4.4. Nominations

Any member meeting the qualifications of Section 4.3 of these Bylaws may file for election to the office of director in writing over his/her signature filed in the office of the Cooperative not less than fifty (50) days prior to the annual meeting of members at which the election will take place. The Secretary shall post such filings in the office of the Cooperative at least thirty (30)

days before the annual meeting of members. The Board may also nominate one or more candidates for the office of director and, if the number of filings received by the Cooperative are not sufficient to provide at least one candidate for each vacancy occurring on the Board of Directors, the Board shall nominate at least that number of candidates necessary to provide no less than one candidate for each vacancy occurring on the Board of Directors. Nominations by the Board, if any, shall be posted by the Secretary at least thirty (30) days prior to the annual meeting of members at the same place, and with the same prominence as the other filings received for the office.

The Secretary shall include with the notice of annual meeting a statement as to the number of directors to be elected from which district(s) and the candidates for each office alphabetically arranged by districts, stating the residence of each.

#### SECTION 4.5.            Removal of Director by Members

A Director shall discharge his or her duties, including duties as a Board Committee member:

- (a) In good faith;
- (b) With the care an ordinarily prudent person in a like position would exercise under similar circumstances;
- (c) In a manner the Director reasonably believes to be in the Cooperative's best interests; and,
- (d) Consistent with established Board policies regarding Director Ethics and Code of Conduct.

The Board shall have the power to censure, in such form and to such degree as it deems appropriate, any Director who does not conform to the provisions of this Section in the discharge of his or her duties. Such censure may, in the discretion of the Board, include a recommendation to the membership that the Director be removed from office.

Any member entitled to vote at a meeting of the members who resides in a director's district may bring charges against that director and, by filing such charges with the Secretary, in writing together with a petition signed by at least twenty percent (20%) of the members entitled to vote at a meeting of the members residing in the director's district, may request the removal of such director by reason thereof. In addition, the Board, on its own motion, may request removal of a director as a result of a failure by such director to discharge his or her duties as prescribed in this Section. Such director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him/her shall have the same opportunity. The question of the removal of such director shall be considered and voted

upon by the members entitled to vote at a meeting of the members who reside in that director's district at the meeting of the members and any vacancy created by such removal may be filled by vote of the members entitled to vote at a meeting of the members who reside in that district at such meeting without compliance with the foregoing provisions with respect to nominations, but such directors so elected must reside in the particular district in which the vacancy has occurred.

SECTION 4.6.            Vacancies by Resignation or Death

A director may resign at any time by written notice delivered to the Board of Directors, the President or Secretary of the Cooperative. A resignation is effective when the notice is delivered unless the notice specifies a future date. The pending vacancy may be filled before the effective date but the successor shall not take office until the effective date. A vacancy occurring in the Board of Directors as a result of the resignation or death of a Director shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term, provided, however, that in the event the vacancy is not filled by the Board within sixty (60) days after the vacancy occurs, the members entitled to vote at a meeting of the members shall have the right to fill such vacancy at a meeting of the members without compliance with the foregoing provisions in respect of nominations, but such directors so elected must reside in the particular district in which the vacancy has occurred.

SECTION 4.7.            Compensation

Board members shall, as determined by resolution of the Board, receive a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs, or performing committee assignments when authorized by the Board. If authorized by the Board, Board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business, or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. Board members who elect to participate may be extended various forms of liability and accident insurance as well as participating in benefits provided to employees, except for benefits based on salary. No Board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any spouse, child, parent, grandparent, grandchild, brother or sister of a Board member receive compensation for serving the Cooperative unless the payment and amount of compensation shall be specifically authorized by a vote of the Board.

SECTION 4.8.            Rules, Regulations, Rate Schedules, and Contracts

The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate classifications, rate schedules, contracts, security deposits or any other types of deposits, payments or charges including contributions in aid of construction, not inconsistent with law or the Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative, or cause such to be submitted for any appropriate governmental regulatory approval. Further, the Board of Directors may constitute itself into committees for the purpose of studying and making recommendations to the full Board in the course of its decisional processes.

## ARTICLE V

### MEETINGS OF THE BOARD

#### SECTION 5.1.       Regular Meetings

A regular meeting of the Board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board shall also be held monthly at such time and place as designated by the Board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof. Unless specifically prohibited by law, meetings, regular or special, may be conducted through the use of conference telephone or other communications equipment by means of which all persons participating in the meetings can communicate with each other. Such participation will constitute attendance and presence in person at the meeting of the persons so participating.

#### SECTION 5.2.       Special Meetings

Special meetings of the Board may be called by the Chair or by any two (2) Directors. The Chair or Directors calling the meeting shall fix the time and place for the holding of the meeting.

#### SECTION 5.3.       Notice of Board Meetings.

Written notice of the time, place, (or telecommunications conference event) and purpose of any special meeting of the Board shall be delivered to each Director at least two (2) days previous thereto either personally, by mail or electronically, by or at the direction of the Secretary, or upon default in duty by the Secretary, by the Chair or one of the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the U. S. Mail, addressed to the director at his/her address as it appears on the records of the Cooperative, with first-class postage thereon prepaid. If delivered electronically, such notice shall be deemed to be delivered when sent in a manner in which delivery is verifiable.

#### SECTION 5.4.       Quorum

A majority of the Board shall constitute a quorum, provided, that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of a majority of the directors present and voting at a meeting at which a quorum is present shall be the act of the Board.

#### SECTION 5.5.       Unanimous Consent in Writing

Unless otherwise prohibited by law, Board actions may be taken without a meeting and without a vote if unanimous consent of the Board is obtained in writing setting forth the action taken in

detail and the writing is signed by all directors entitled to vote.

## ARTICLE VI

### OFFICERS

#### SECTION 6.1.           Number and Titles

The officers of the Cooperative shall be a Chair, Vice Chair, President, Chief Executive Officer, Vice President, Secretary, Treasurer, and such other offices as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person.

#### SECTION 6.2.           Election and Term of Office

The officers shall be elected by ballot, if there is a contest, and if not, by voice vote or any other method designated by the person presiding. They shall be elected annually by the Board at the meeting of the Board held immediately after the annual meeting of the members. The Chair, Vice Chair, Secretary and Treasurer must be members of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members, or until a successor shall have been elected and shall have qualified. Except as otherwise provided in these Bylaws, a vacancy in any office shall be filled by the Board for the unexpired portion of the term.

#### SECTION 6.3.           Removal of Officers and Agents by the Board

Any officer or agent elected or appointed by the Board may be removed by the Board or by the members whenever, in its judgment, the best interests of the Cooperative will be served thereby. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the Board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him/her shall have the same opportunity.

#### SECTION 6.4.           Chair

The Chair shall:

- (a)    Preside at all meetings of the members and of the Board of Directors;
- (b)    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 or by these Bylaws 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 Chair and such other duties as may be prescribed by the Board from time to time.

SECTION 6.5. Vice Chair

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

SECTION 6.6. Secretary

The Secretary shall be responsible for:

- (a) Keeping the minutes of the meetings of the members and of the Board in one or more books provided for that purpose;
- (b) Seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) The safekeeping of the corporate books and records of the Cooperative;
- (d) Keeping a register of the names and post office addresses and member numbers of all members;
- (e) Keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of these Bylaws and of all amendments thereto to each member; and,
- (f) In general performing all duties incident to the Office of Secretary and such other duties as from time to time may be assigned to him or her by the Board.

SECTION 6.7. Treasurer

The Treasurer shall be responsible for:

- (a) Custody of all funds and securities of the Cooperative;
- (b) The receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such financial institutions as shall be selected in accordance with the provisions of these Bylaws; provided, however, that the Treasurer shall have

authority, with the approval of the Board, to delegate to the Chief Executive Officer the authority to appoint employees of the Cooperative to actually carry out the responsibilities set forth in this Section; and

- (c) The general performance of all the duties incident to the Office of Treasurer and such other duties as from time to time may be assigned to him/her by the Board.

SECTION 6.8. Chief Executive Officer

The Chief Executive Officer may be, but shall not be required to be, a member of the Cooperative. The Chief Executive Officer shall be the principal executive officer and general manager of the Cooperative and shall perform such duties as the Board may from time to time require and shall have authority as the Board may from time to time vest in him/her.

SECTION 6.9. President

The President shall perform such duties as may be prescribed by the Board from time to time. The President may be, but shall not be required to be a member of the Cooperative.

SECTION 6.10. Vice President

In the absence of the President or in the event of his/her inability or refusal to act, the Vice President shall perform the duties of the President and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned by the Board. The Vice President may be, but shall not be required to be a member of the Cooperative.

SECTION 6.11. Bonds

The Board 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 shall determine. The Board, 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

The powers, duties and compensation of officers, agents and employees shall be fixed or approved by the Board, subject to the provisions of these Bylaws with respect to compensation for Directors and to close relatives of Directors.

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. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

**ARTICLE VII**  
**(NON-PROFIT OPERATION)**

SECTION 7.1.        Interest or Dividends on Capital Prohibited

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

SECTION 7.2.        Patronage Capital in Connection With Furnishing Electric Services

In the furnishing of electric services, the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to insure that the Cooperative will be operated on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric services in excess of operating costs and expenses properly chargeable against the furnishing of such services, such capital reserves and any other proper reserves as may be provided by law and/or which shall be established by the Board of Directors. All such amounts in excess of operating costs and expenses for services, such capital reserves and any other proper reserves as may be provided by law and/or which shall be established by action of the Board of Directors, as provided herein, at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expense, such capital reserves and any other proper reserves as may be provided by law and/or which shall be established by action of the Board of Directors as provided herein. The books and records of the Cooperative shall be set up and kept in such manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record, or records, to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron in writing of the amount of capital so credited to the patron's account; provided that, unless otherwise required by law, individual notice of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of the aggregate amount of such excess from and provides a clear explanation of how each patron may compute and determine the specific amounts of capital so credited to the patron's account. All such amounts credited to the capital account of any patron shall have the same status as though it has been paid to the patron in cash in pursuance of a legal obligation to do so and the

patron had then furnished the Cooperative corresponding amounts for capital.

All other non-operating amounts received by the Cooperative in excess of costs and expenses shall, insofar as permitted by law, be used to offset any losses during the current or any prior fiscal year and, to the extent not needed for that purpose, either:

- (a) Allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital to be allocated to the accounts of the various classes of patrons in an equitable manner as approved by the Board, or
- (b) Used to establish and maintain a non-operating margin reserve not assignable to patrons prior to dissolution of the Cooperative.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patron's accounts may be retired in full or in part. All allocations and retirements of capital shall be at the discretion and direction of the Board as to kind, timing, method, and type of assignment and distribution. In no event may any such capital be retired unless, after the proposed retirement, the remaining capital of the Cooperative shall equal at least the minimum capital requirements imposed upon the Cooperative either by law, by the terms of its contractual obligations, or by its Articles of Incorporation or Bylaws.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative, pursuant to written instruction from the assignor and only to successors in interest, or successors in occupancy, in all or in a part of such patrons' premises served by the Cooperative, unless the Board, acting under policies of general application, shall authorize other types of assignments. Patrons at any time may assign their capital credits back to the Cooperative and the Cooperative is authorized to negotiate capital credit settlement arrangements with bankrupt patrons.

Notwithstanding any other provision of these Bylaws, the Board, at its discretion, shall have the power at any time upon the death of any natural patron, if the legal representative of the patron's estate or, if no legal representative of the estate has or will be appointed, then an heir or heirs entitled to receive distribution of the deceased patron's estate pursuant to law, shall request in writing, that the capital credited to any such patron be retired prior to the time such capital would be retired in a general retirement under provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representative or heir of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

In the event of the dissolution or termination of any school district, church congregation, corporation, partnership or any other legally organized group or Cooperative, the Board of

Directors, at its discretion, shall have the power, if the duly authorized representative of the said patron shall request in writing that the capital credited to such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the duly authorized representative of such patron shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract both between the Cooperative and each patron, and further, between all the patrons themselves individually. Both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such term and provisions with the Cooperative and each of its patrons. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office or by publication distributed by the Cooperative to its patrons.

## **ARTICLE VIII**

### **DISPOSITION AND PLEDGING OF PROPERTY**

The Board of Directors may not authorize the sale, lease, or exchange of all or any substantial portion in excess of ten percent (10%) of the Cooperative's total assets; merge with or consolidate into another entity that is not a rural electric cooperative; dissolve the Cooperative, or file for bankruptcy with the United States Bankruptcy Court upon such terms and conditions as the Board of Directors deems expedient and for the best interests of the Cooperative, except when authorized by the affirmative vote of at least two-thirds (2/3) of the total members of the Cooperative cast in person, or by mail, at a meeting of the members notice of which includes a clear explanation of the action to be voted upon. For purposes of this article, a merger with or consolidation into another rural electric cooperative shall not be deemed a sale, lease or exchange. OTHER PROVISIONS OF THESE BYLAWS NOTWITHSTANDING, ANY REPEAL, AMENDMENT, OR ALTERATION OF THIS ARTICLE THAT WOULD RESULT IN A CHANGE IN THE MEMBER APPROVAL REQUIREMENTS FOR ACTS DESCRIBED HEREIN, MUST BE APPROVED BY A TWO-THIRDS (2/3) VOTE OF ALL OF THE MEMBERS OF THE COOPERATIVE.

## **ARTICLE IX**

### **FINANCIAL TRANSACTIONS**

#### SECTION 9.1.        Contracts

Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents, 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 9.2.           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 by such officer(s), agent(s), or employee(s) of the Cooperative and in such manner, as shall from time to time be determined by resolution of the Board.

SECTION 9.3.           Deposits

All the funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such institutions as the Board may select.

SECTION 9.4.           Fiscal Year

The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first (31) day of December of the same year.

**ARTICLE X**

**MISCELLANEOUS**

SECTION 10.1.         Membership in Other Organizations

The Cooperative may become a member or purchase stock in other profit or nonprofit organizations, Cooperatives, partnerships, or joint ventures when the Board by a two-thirds (2/3) majority vote of its members at a regular or special meeting of the Board of Directors, finds that the general or long-term interests of the Cooperative will be served by such investments or participation.

SECTION 10.2.         Waiver of Notice

Any member or Director may waive in writing, or electronically, any notice of a meeting required to be given by law, the Articles of Incorporation, or these Bylaws. The attendance of a member or Director at any meeting shall constitute a waiver of notice of such meeting by such member or Director, except in case a member or Director shall attend a meeting for the express purpose of objecting to the transaction of any business, on the grounds that the meeting has not been lawfully called or convened.

SECTION 10.3.         Rules and Regulations

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

SECTION 10.4.        Accounting System and Reports

The Board shall cause to be established and maintained a complete accounting system which shall conform to applicable laws and to the rules and regulations of any regulatory body. The Board shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year.

**ARTICLE XI**

**AMENDMENTS**

Except as provided in Article VIII hereof, these Bylaws may be altered, amended, or repealed by the members, at any regular or special meeting, but only if the notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal, or an accurate summary explanation thereof.