

BYLAWS
OF
EAU CLAIRE ENERGY COOPERATIVE

December 2, 2009

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BYLAWS
OF
EAU CLAIRE ENERGY COOPERATIVE

January 31, 2007

ARTICLE I - MEMBERSHIP

Section 1. Requirements for Membership.

Any person, firm, association, corporation or body politic or subdivision thereof will become a member of Eau Claire Energy Cooperative (hereinafter called the "Cooperative") upon:

- A. having applied for membership in the Cooperative; and
- B. having agreed to purchase electric energy, fuel, goods or services from the Cooperative as hereafter specified; and
- C. having agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations of the Board; and
- D. having received electric service, fuel, goods or services from the Cooperative.

Section 2. Conditions of Membership.

Any person who requests service from the Cooperative subject to the conditions applicable to all patrons of the same class of service, upon receipt of such service, shall be deemed a member with the same rights and privileges as each other member of such class. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these Bylaws. Two or more persons may hold a membership as joint members in accordance with the terms of their application, these Bylaws, and any rules of the Board of Directors applicable thereto. A membership will terminate whenever the member has made no purchases from the Cooperative for one year or as otherwise provided in these Bylaws. Membership in the Cooperative shall be evidenced by the records of the Cooperative.

Section 3. Definitions.

- A. Member - a person or entity who has met the qualifications for membership established in these bylaws.
- B. Membership - the status and bundle of rights which pertain to being a member, including the organizational powers contained in Articles I, II, III, IV and XIII, and the property rights set forth in Article I, Section 9.
- C. Joint Member - a natural person who, with one or more other natural persons, is a party to a joint membership.
- D. Joint Membership - a membership in the name of 2 or more natural persons, subject to the provisions in Article I, Section 3. All joint memberships shall be held in joint tenancy.
- E. Joint Tenancy – a method of owning property wherein each of 2 or more joint tenants has an equal interest in the whole property for the duration of the tenancy, irrespective of unequal contributions at its creation. On the death of one of 2 joint tenants, the survivor becomes the sole owner; on the death of one of 3 or more joint tenants, the survivors are joint tenants of the entire interest.
- F. Patron – A person or entity who has purchased or purchases electric energy, fuel, goods or services from the Cooperative. All members are or have been patrons of the Cooperative, but, within limits set by the Board or by law, the Cooperative may serve one or more patrons who is not a member.

Section 4. Joint Membership.

- A. Any application for membership in the Cooperative received after January 1, 1986, from any person who is married shall be deemed and become an application for membership by husband or wife as joint members unless the person making such application otherwise designates in writing.
- B. The membership of any person who on January 1, 1986, was married, or who thereafter while a member became married, shall be deemed to have become, and did become at such time, a joint membership

in husband and wife without further action by such member, unless the Cooperative was notified otherwise in writing by January 30, 1986.

C. The term "member" as used in these Bylaws shall be deemed to include all parties to a joint membership and any provisions relating to the rights and liabilities of membership, including, without limitation, the following:

- (1) the presence at a meeting of any or all shall be regarded as the presence of one member and shall constitute a waiver of notice of the meeting on behalf of the joint membership;
- (2) a joint membership may cast only one collective vote on each issue or for each elective position;
- (3) a waiver of notice signed by any joint member of a joint membership shall constitute the waiver of the entire joint membership;
- (4) notice to any joint member shall constitute notice to the entire joint membership;
- (5) withdrawal or expulsion of any joint member of a joint membership shall terminate that joint member's interest in the joint membership, which shall then be converted to a sole membership if only one joint member to the former joint membership remains;
- (6) one, but not more than one, joint member of a joint membership may be elected or appointed as an Officer or Director.

D. The records of the Cooperative shall properly show all joint memberships in the names of the joint members provided the Cooperative has been furnished with those names in writing.

E. Upon the death of a person who is a joint member, the affected membership shall be held by the surviving joint member or joint members to that membership as a sole or joint membership and the records of the Cooperative shall be adjusted to reflect that change. However, the personal representatives, successors and assignees of the deceased joint member shall not be released from any debts due the Cooperative.

Section 5. Conversion To, From or Within Joint Membership.

Under policies adopted by the Board, a membership may be converted to a joint membership, or an additional joint member may be admitted to a membership, upon the written request and agreement by all proposed joint members to comply with the Articles of Incorporation, Bylaws and rules and regulations adopted by the Board, provided all such proposed joint members qualify for membership in the Cooperative at the same premises. By a written instrument signed by a joint member and filed with the Cooperative, a person may withdraw from a joint membership, which shall then be converted to a membership vested solely in the remaining joint member or joint members; provided, however, that the withdrawing joint member shall not be released from any debts due the Cooperative.

Section 6. Transfer of Membership.

Upon written application to the Cooperative, and under policies adopted by the Board, a membership may be transferred only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative.

Section 7. Purchase of Electric Energy.

Each applicant for membership who requests electric service shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in the application for membership and on all other premises owned by the member within the Cooperative's service area, and shall pay therefore at current applicable rates which shall be fixed by the Board. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with the Cooperative facilities, shall be subject to appropriate safety and other regulations as required by the Cooperative. Regardless of the amount of electric energy consumed, each member shall pay to the Cooperative such current applicable minimum amount as shall be fixed by the Cooperative. Each member shall pay all amounts owed by the member to the Cooperative when the same shall become due and payable.

Section 8. Member Furnished Capital.

It is expressly understood that amounts paid for electric energy, fuel, goods or services in excess of the cost of providing said electric energy, fuel, goods or services are furnished by members as capital and each member shall be credited with the capital so furnished as provided by these Bylaws. Each member shall also pay all amounts owed by the member to the Cooperative when the same shall become due and payable.

Section 9. Termination of Membership.

A. Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. Subject to any regulations imposed by lawful authority, the Board may, by the affirmative vote of not less than two-thirds (2/3) of all members of the Board expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or reasonable rules or regulations adopted by the Board, but only if such member shall have been given written notice by the Cooperative that such failure makes the member liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled, terminated, or cancelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting.

B. Upon the withdrawal, death, cessation of existence, or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release the member or the member's successors, personal representatives, or assigns from any debts due the Cooperative.

C. Legal separation or divorce of holders of a joint membership shall automatically convert to a sole membership by the former joint member who continues to occupy or use any premises covered by such membership, after the date such judgment of divorce or legal separation is entered unless the court determines otherwise. This provision shall not affect the ownership of any rights acquired or funds held by the Cooperative in the names of the joint members prior to said date. Neither joint member shall be released from debts due the Cooperative arising from the joint membership.

Section 10. Non-Liability for Debts of the Cooperative.

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

Section 11. Property Interest of Members.

A. The property interest in the Cooperative of members, former members, patrons, and former patrons shall be those interests set forth in

this section and in Article VII of these Bylaws. Except as addressed or modified by specific provisions, the form of ownership of any such interest shall be determined according to the general rules for membership, transfer of membership, and succession of membership in this Article.

B. Upon dissolution of the Cooperative and after:

(1) all debts and liabilities of the Cooperative shall have been paid; and

(2) except as otherwise provided in these Bylaws, after all capital furnished through patronage shall have been retired as provided in the Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members to whom said capital was retired upon dissolution in proportion to the distribution of capital credits.

Section 12. Electronic Records.

All applications for membership, applications for service of any kind, and other enumerated communications with the Cooperative by members or potential members may be made in such electronic format as the Cooperative shall specify.

Section 13. Grant of Property Rights.

A. As required by the Cooperative for a Cooperative purpose, a member shall;

(1) provide the Cooperative safe and reliable access to or use of member property; and

(2) pursuant to terms and conditions specified by the Cooperative, and without compensation from the Cooperative, grant or convey to the Cooperative a written easement for the construction, operation, maintenance and reconstruction of its lines.

B. Cooperative purpose is, at any time;

(1) purchasing, installing, constructing, inspecting, monitoring, operating, repairing, maintaining, removing, relocating, upgrading,

or replacing Cooperative equipment or member equipment connected to Cooperative equipment;

(2) providing a Cooperative service to a member or one or more other members;

(3) monitoring, measuring, or maintaining a Cooperative service provided to a member or one or more other members;

(4) providing electric energy to a person or one or more other persons;

(5) monitoring, measuring, or maintaining electric energy provided to a person or one or more other persons;

(6) authorizing, permitting, satisfying, or facilitating an obligation incurred, or right granted, by the Cooperative regarding use of Cooperative equipment; or

(7) safely, reliably, and efficiently operating the Cooperative or providing a Cooperative service.

Section 14. Safe and Protected Operation of Cooperative.

No member shall fail to take or omit an act required by the Cooperative pursuant to any applicable statute, regulation or code to safely, reliably, and efficiently operate the Cooperative's equipment on any property owned or operated by the member.

ARTICLE II - SERVICE PRINCIPLES

Section 1. Area Coverage.

The Cooperative holds itself out to serve and shall make diligent efforts to extend and render adequate and dependable electric service to all persons within the Cooperative service area, regardless of the size or nature of their service requirements, who (a) desire such service and (b) meet all requirements established by the Cooperative as a condition of service. However, the Cooperative cannot, and therefore does not, guarantee a continuous and uninterrupted supply of electricity.

Section 2. Service Area Maps.

The Cooperative shall maintain area coverage service maps designating the Cooperative's electric service area.

Section 3. Extension and Service Rules.

Extension and service rules of the Cooperative promulgated by the Board shall be of general and uniform application and shall provide for service without discrimination to all patrons or members within the same classification of service.

Section 4. Service to Non-Member Patrons.

In the event the Cooperative shall acquire all or any portion of the property of any public utility, former consumers of such public utility served through the property acquired shall be invited to become members of the Cooperative. Should any such consumer refuse to become a member of the Cooperative, the Cooperative may continue to render electric service to such consumer as a patron of the Cooperative.

Section 5. Assumption of Public Utility Obligations.

Within the corporate limits of any city or village in which the Cooperative may acquire the property of any public utility, the Board may, by rule or by agreement with the governing Board of such municipality, cause or permit the Cooperative to become subject to all or part of the regulatory rules and jurisdiction of the Public Service Commission of Wisconsin, or other regulatory agency provided by law, provided that this shall not affect the status of the Cooperative in the balance of its service area nor require approval of its securities issued to the United States of America, to any financing institution organized by rural electric cooperatives, or approved by the Administrator of the Rural Utilities Services, or any other lender.

ARTICLE III - MEETINGS OF MEMBERS

Section 1. Member Meetings; Annual Meeting.

All meetings of the members of the Cooperative, including an Annual Meeting of the members, shall be held, at such time and place as the Board of Directors of the Cooperative shall determine, which time and place shall be specified in the notice given with respect to such meeting, for the purpose of electing Directors, and transacting such other business as may properly come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting, as well as policies and regulations for

the orderly conduct of the meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings.

Special meetings of the members may be called by the Chairman of the Board of Directors, by resolution of the Board of Directors or by written call signed by twenty percent (20%) or more of all of the members, and it shall thereupon be the duty of the Secretary of the Cooperative to cause notice of such meeting to be given as hereinafter provided. The purposes for which the special meeting is called shall be clearly stated in the call, and no business not encompassed in the call may be taken up at said special meeting.

Section 3. Notice of Members' Meetings.

Written or printed notice stating the place, day and hour, and in the case of a special member meeting the purposes for which the meeting is called, shall be delivered not less than seven (7) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, the notice is given when it is deposited, or a newsletter or other publication of the Cooperative or of an affiliated organization which includes the notice, is deposited, in the United States mail, with postage prepaid thereon, addressed to each member at the member's address as it appears on the records of the Cooperative. The 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. Notice addressed, mailed or delivered to one joint member constitutes notice to all other persons sharing that joint membership.

Section 4. Quorum.

The number of members to constitute a quorum at a meeting of members shall be fifty (50). In case of a joint membership, the presence at a meeting by any member of the joint membership shall be regarded as the presence of one member. Members represented by signed ballots may be counted in computing a quorum only on those motions or elections for which the signed absentee ballots were submitted. If less than a quorum is present at any meeting, a majority of those present shall adjourn the meeting. A new notice shall be mailed to each member specifying the future time and place of the adjourned meeting.

Section 5. Voting.

Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon at such meeting except as otherwise provided by law, the Articles of Incorporation of the Cooperative or these Bylaws. Two or more persons holding a joint membership shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. Any member which is a cooperative, corporation, government body, church or voluntary association may, acting through its governing body, designate in writing its representative to act for it at membership meetings. Such written designation shall be filed with the Secretary before such representative votes at any such meeting, except that the President or other presiding officer of any such corporation, association, Board or body politic may cast its vote at such meeting if no such written designation for any other representative is so filed. A guardian or legal representative of any member may vote on behalf of such member. A vote cast in a representative capacity shall not take the place of a person's vote as a member. Voting by absentee ballot shall be only as specifically authorized by the Board of Directors. Voting by proxy shall not be allowed.

Section 6. Voting by Absentee Signed Ballot.

Any member who is unable to attend a meeting of the members may vote on any motion to be considered at the meeting only as follows:

- A. if the Cooperative provides ballots for the vote on the motion to the members together with notice of the meeting at which the vote will be taken and exact copies of the motion and any resolution to which it pertains, an absent member may vote on the motion by submitting a signed ballot. If a signed ballot has been submitted on a motion under this paragraph, neither the motion nor any resolution to which it pertains may be amended; or

- B. if the Cooperative does not provide ballots, and an exact copy of the motions or resolutions to which they pertain, to the members along with the notice of meeting, but makes available ballots for the vote along with exact copies of the motions or resolutions to which they pertain, then a member may request a ballot and exact copy of the motion and may vote by submitting a signed ballot. However, the motions and any resolutions to which they pertain may be amended at the meeting and, if the motion or resolution is amended, the ballot is void. The ballot may not be counted

on any motion to amend or adopt as amended the motion or resolution;
and

C. a sealed envelope bearing the signature of the member and enclosing a marked but unsigned ballot shall constitute a signed absentee ballot under these bylaws; and

D. absentee ballots shall be mailed or delivered to the Cooperative office so as to be received at the office during business hours on or before the day before the membership meeting; and

E. in the event a member voting by absentee ballot attends such meeting in person, that member who returned a mail ballot may not vote at the member meeting regarding any question on the mail ballot; and

F. if ballots for use in voting for a Director are not provided to members along with the notice of the meeting, a member may in writing request a ballot from the Cooperative, and use the same for voting for Director in accordance with the provisions in this section.

Section 7. Ballots.

Notwithstanding any provision in Article III, Section 6, the Board may provide that ballots for the election of Directors and for action on motions to be considered at an annual meeting of the members may be deposited on the day of said meeting in a designated ballot box at such times and places as the board shall determine. All such ballots for Director must be on the official ballot furnished to the voting member. All such ballots on motions shall contain the full language of the motion to be voted upon, and if the question of adopting the exact motion appearing on the ballot is the subject of a vote at the annual meeting, the ballot shall be counted on that question; otherwise it shall not be counted for any purpose.

Section 8. Order of Business.

The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting:

A. report on publication or mailing of the notice of the meeting and on the number of members present in person in order to determine the existence of a quorum;

B. reading or reporting on the publication of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;

C. presentation of oral or written reports of officers, trustees and committees not previously distributed.

Section 9. Member Voting by Mail Ballot.

Except as restricted in Article VIII, Section 1 of these Bylaws, a member may vote by mail in director elections and matters properly brought before the membership only as provided in this Bylaw and in a manner determined by the Board. Voting by mail may be permitted in lieu of holding a member meeting or in conjunction with a member meeting.

A. Mail Ballot Without Member Meeting. If the Board so provides, a member may vote by mail without a member meeting if the Cooperative delivers a mail ballot to each member entitled to vote on the matter. A proposed action is approved if:

(1) the number of completed mail ballots timely received by the Cooperative equals or exceeds the member quorum; and

(2) the number of votes favoring the proposed action equals or exceeds the number of votes required to approve the action at a member meeting, as set forth in Section 5 of this Article.

B. Mail Ballot With Member Meeting. Except as restricted in Article VIII, Section 1 of these Bylaws, a member may vote or act by mail on an action that may be taken at the member meeting if the Board so provides and the Cooperative delivers a mail ballot to each member entitled to vote on the matter. A member who returns a mail ballot may not vote at the member meeting regarding any question on the mail ballot. The Cooperative must count, but not tabulate, completed mail ballots received before the member meeting to determine whether a member quorum exists at the member meeting. The Cooperative must count as a member's vote, a properly submitted mail ballot received on, or before, the time and date stated in the instructions accompanying the mail ballot.

C. Mail Ballot. A Mail Ballot Without Member Meeting or a Mail Ballot With Member Meeting (a Mail Ballot) must:

- (1) set forth and describe a proposed action, identify a candidate, and include the language of a motion, resolution, Bylaw Amendment, or other written statement, upon which a member is asked to vote or act;
- (2) state the date of a member meeting at which members are scheduled to vote or act on the matter;
- (3) provide an opportunity to vote for or against, or to abstain from voting on, the matter;
- (4) instruct the member how to complete and return the Mail Ballot;
- (5) state the time and date by which the Cooperative must receive the completed Mail Ballot; and
- (6) be contained in a sealed Ballot envelope provided by the Cooperative, which shall be signed by the person casting the Ballot and shall bear the voter's legible printed name.

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

E. Material soliciting approval of a matter by Mail Ballot must:

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

(5) be mailed to all members eligible to vote at a meeting of the members.

Section 10. Procedure.

Except as modified herein, Roberts Rules of Order Newly Revised, 10th Edition, 2000, Perseus Publishing, or any more recent version of said publication, shall govern all procedural questions at meetings of the members, the Board of Directors, and all committees and task forces of the Cooperative.

ARTICLE IV - DIRECTORS

Section 1. General Powers.

A. All powers of the Cooperative shall be exercised by or under authority of, and the business and affairs of the Cooperative shall be managed under the direction of, the Board of Directors, except as otherwise provided by law, the Articles of Incorporation, or these Bylaws.

B. Without limitation, the powers of the Board of Directors shall include the determination and fixing of classifications of service, rates to be charged by the Cooperative for services furnished according to established classification, the promulgation and enforcement of rules and regulations governing service to members or patrons, and the selection, nomination, replacement or removal of Directors, Delegates or other Representatives of the Cooperative to organizations of which the Cooperative may be a member.

Section 2. Tenure and Qualifications.

A. Tenure. Directors shall be elected for three year terms on a staggered basis so that no more than three of such terms shall expire at the Directors' organizational meeting following each annual meeting. The term for Districts 3, 7, and 9 shall expire one year, Districts 1, 5, and 8 the next year, and Districts 2, 4, and 6 the third year. Each Director shall serve, subject to paragraph E., below, until a successor is elected or appointed, qualified, and seated at said organizational meeting.

B. Qualifications. No person shall be eligible to become or remain a Director of the Cooperative, who:

(1) is not a natural person who is a member of the Cooperative, or a natural person officially designated by a member which is not a natural person, except that at no time may such a member have more than one designee, and the member is in compliance with the Cooperative's Articles of Incorporation and Bylaws;

(2) is not a bona fide resident of the Director district for which the nominee is nominated or from which the Director was elected;

(3) is not receiving electric service from the Cooperative at the member's place of residence;

(4) is in any way employed by or materially financially interested in a competing enterprise or a business selling energy or supplies to the Cooperative; or

(5) is employed by or is the spouse, parent or child of an employee of any person, corporation or governmental agency which holds any security issued by the Cooperative;

(6) does not have the capacity to enter into legally binding contracts;

(7) while a Director or during the five years preceding election to that office, was convicted of any felony, or was convicted of any offense, however denominated, involving a breach of trust or the unlawful taking or retention of any property of another;

(8) has failed to comply with any other qualification for Director established by the members or by the Board, or, while a Director, has failed to comply with policies of the Cooperative adopted by the Board;

(9) has been an employee of the Cooperative within two years of the date of his or her election, or the spouse of such person.

C. Director Nomination as Representative of a Corporation:

1) when a membership is held jointly, one of the joint tenants, but not more than one, may be elected a Director, provided the candidate shall meet the qualifications set forth in paragraph B. above;

2) when a membership is held by a partnership, one, but not more than one, of the partners designated in writing by the partnership may be elected a Director, provided the candidate shall meet the qualifications set forth in paragraph B. above;

3) when a membership is held by a corporation, one, but not more than one, of the officers thereof designated in writing by the corporation may be elected a Director, provided the candidate shall meet the qualifications set forth in paragraph B. above.

D. Any member serving as a Director or holding any position of trust in the Cooperative shall be bound by the Cooperative's ethics policy.

E. Disqualification.

(1) Upon establishment of the fact that a nominee for Director lacks eligibility under this section, it shall be the duty of the Chair presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee.

(2) Upon receipt of information which constitutes probable cause that any person being considered for, or already holding a position of Director, may lack eligibility to become or remain a Director, it shall be the duty of the Directors, upon reasonable notice to the person whose eligibility is in question, to hold a hearing on such matter.

(3) The Directors shall find and determine whether such person is ineligible to become a Director, or if already a Director, is ineligible to remain a Director under the qualifications provided in these Bylaws. In making such determination, if the person whose eligibility is being considered is a Director, that person may not vote. If the remaining Directors determine by a majority vote that the person, if a candidate, is ineligible to become a Director, then such person's name shall be withdrawn as a candidate for Director. If the person is already a Director, then that person shall be ineligible to

remain a Director, and that person's office as a Director shall forthwith become vacant. The remaining Directors shall appoint a successor to complete the term of the disqualified Director.

Section 3. Nominations.

It shall be the duty of the Board of Directors to appoint a nominating committee not less than 40 days nor more than 120 days before the date of the meeting of the members at which Directors are to be elected. The nominating committee shall nominate not less than two nominees for each vacancy on the Board. The nominating committee shall be composed of as many members as there are expiring terms on the Board and shall be appointed by Board resolution. In the event of a vacancy on the Board of Directors, the Chairman shall appoint additional members to the nominating committee in order that it will be composed of the same number as there will be vacancies on the Board to fill. No Officer or Director shall be appointed a member of the nominating committee. Separate nominations shall be made for each vacancy on the Board. The nominating committee shall prepare and post at the principal office of the Cooperative not less than 30 days prior to the meeting a list of nominations for Directors. Any fifteen or more members may make nominations in writing over their signatures not less than twenty days prior to the meeting. The Secretary shall post all nominations at the Cooperative headquarters.

Section 4. Districts.

A. Areas served. The area served by the Cooperative shall be divided into nine (9) Districts, each represented by one Director. Each District, except for District 2, shall consist of the following towns as they existed on January 1, 1936:

District No. 1: Seymour, West of County Road UN, Eau Claire County; Hallie and Lafayette, Chippewa County, except land in District 2, and the Village of Lake Hallie.

District No. 2: All service areas of the Cooperative within the City of Eau Claire or the City of Altoona, defined as of December 31, 2006.

District No. 3: Ludington and Seymour, East of County Road UN, Eau Claire County; Sigel, including the Village of Cadott, Goetz, and Edson, Chippewa County.

District No. 4: Washington West of South Lowes Creek Road and Union, Eau Claire County; Spring Brook, Dunn County, except land in District 2.

District No. 5: Brunswick and Drammen, Eau Claire County; Rock Creek, Dunn County; Albany, Pepin County; Naples, Buffalo County, except land in District 2.

District No. 6: Pleasant Valley, Eau Claire County; Albion, Trempealeau County.

District No. 7: Washington, East of South Lowes Creek Road, North of Walnut Road, and North of an Easterly extension of Walnut Road to Mathwig Road, and North of Mathwig Road, Eau Claire County, except land in District 2.

District No. 8: Lincoln, Clear Creek, Otter Creek and Washington, South of Walnut Road, South of an Easterly extension of Walnut Road to Mathwig Road, and South of Mathwig Road, Eau Claire County; Sumner and Unity, Trempealeau County.

District No. 9: Wilson, Bridge Creek and Fairchild, Eau Claire County; Garfield, Cleveland and Northfield, Jackson County.

B. Board of Directors. The Board shall consist of nine (9) Directors. Only one member of each District shall be permitted to serve on the Board at any one time. Any service area annexed to a municipality shall remain part of the original district and town, until redistricting action by the Board.

Section 5. Election.

At each annual meeting of the Cooperative, the Secretary of the Cooperative shall place in nomination the names of the official candidates of each district. Election of Directors shall be by printed or mechanically reproduced official ballot. The ballots shall list the candidates nominated by the nominating committee or by petition arranged by district. Within each district, ballot order shall be determined by lot and incumbents shall be identified as such. Each member of the Cooperative present at the meeting shall be entitled to vote for one candidate from each district from which a Director is to be elected. The candidate from each district receiving the highest number of votes at the meeting shall be declared elected.

Section 6. Vacancies.

Subject to the provisions of these Bylaws with respect to the removal of Directors, a vacancy in the office of Director may be filled by a majority vote of the remaining Directors and a Director thus elected shall serve until the term of the replaced Director expires.

Section 7. Compensation.

Directors shall not receive any salary for their services as such, but by resolution of the Board a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs, or performance of committee assignments or other services when authorized by the Board, along with reasonable expenses actually and necessarily incurred, may be allowed. If authorized by the Board, the Directors may be granted a reasonable per diem allowance in lieu of detailed accounting for some of these expenses, or may be advanced funds therefore. No Director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a Board member receive compensation for serving the Cooperative, unless, after full disclosure, the payment and amount of compensation shall be specifically authorized by a vote of the Board, the affected Director not voting, or the service by the Board member or Director's close relative shall have been certified by the Board as an emergency measure. The term "close relative" as used herein means child, stepchild, parent, stepparent, or sibling by the whole or half blood.

Section 8. Policies, Rules and Regulations.

The Board shall have power to make and adopt such policies, 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 affairs of the Cooperative. Such policies, rules and regulations shall be binding upon all members provided that they receive notice of the substance of the policies, rules and regulations. For purposes of this section, notice shall be deemed sufficient if it is mailed to the member at the member's address as it appears on the records of the Cooperative, postage duly prepaid, or if it is published in a newsletter sent by the Cooperative to its members, is published in the Wisconsin Energy Cooperative News or in another newspaper circulated in the service area of the Cooperative.

Section 9. Accounting System and Reports.

The Board of Directors shall cause to be established and maintain a complete accounting system which among other things, subject to applicable laws, rules, and regulations, shall conform to such accounting system as may be designated by the Administrator of the Rural Utilities Services of the United States of America. The Board of Directors shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial

condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next succeeding annual meeting.

Section 10. Officers of the Board.

At the annual organizational meeting of the Board, and at such other times as necessary to fill vacancies, the Board of Directors shall elect from among its members the following Officers of the Board:

- A. a Chair, who, unless unavailable, shall preside over all meetings of the members and all meetings of the Board of Directors;
- B. a Vice-Chair, who shall preside over all meetings of the members and all meetings of the Board of Directors whenever the Chair is unavailable to do so;
- C. a Secretary of the Board who shall record and preserve all records of Board proceedings which the Board directs shall not be kept by the Cooperative's Secretary; and
- D. no Officer of the Board of Directors shall be an Officer of the Cooperative, unless separately elected to such position.

Section 11. Removal of Director by Members.

Any member may bring charges against a Director and, by filing with the Secretary such charges in writing together with a petition signed by at least ten percent of the members or 300, whichever is the lesser, may request the removal of such Director by reason thereof. Upon receipt of such petition it shall be the duty of the Chair or the Board of Directors to call a special meeting of the members to hear the same. Such Director shall be informed in writing of the charges at least ten 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 the Director shall have the same opportunity. The question of the removal of such Director shall be considered and voted upon at the meeting of the members.

ARTICLE V - MEETINGS OF BOARD

Section 1. Organizational Meeting.

A regular meeting of the Board, called the organizational meeting shall be held without notice, immediately after, and at the same place as, the annual meeting

of the members, or at such time within 30 days of the annual meeting and such other place as the Chair shall announce at the annual meeting.

Section 2. Regular Meetings of the Board.

Regular meetings of the Board shall be held at the time designated by the Board and shall convene at a place designated by the Board. Such regular meetings may be held without notice other than such resolution fixing the time and place thereof. Any Director who fails to attend three consecutive regular meetings of the Board, or who fails to attend any four regular meetings of the Board in any consecutive period of twelve months, shall be forfeited and the vacancy filled pursuant to the Bylaws. Absences cannot be excused for any reason.

Section 3. Special Meetings.

Special meetings of the Board may be called by the Chair or by any three Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chair or Directors calling the meeting shall fix the time and place for the holding of the meeting.

Section 4. Notice of Board Meetings.

Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Director either personally, electronically, or by mail, by or at the direction of the Secretary of the Cooperative, or upon a default in duty by the Secretary of the Board, by the Chair or the Directors calling the meeting. Such notice shall be deemed to be delivered when sent or mailed at least five days before the date set for the meeting.

Section 5. Quorum.

A majority of the Board shall constitute a quorum. If less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting and 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 at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws.

Section 6. Meeting by Conference Telephone or Similar Communication Equipment.

The Board of Directors, or the Chair to the extent authorized by the Board, may permit any or all Directors to participate in a regular or special meeting of the Board of Directors by, or to conduct the meeting through the use of, any means of communication by which any of the following occurs:

A. all participating Directors may simultaneously hear each other during the meeting, or

B. all communication during the meeting is immediately transmitted to each participating Director and each participating Director is able to immediately send messages to all other participating Directors; and

C. if a meeting will be conducted under this section, all participating Directors shall be informed that a meeting is taking place at which official business may be transacted. A Director participating in a meeting conducted in a manner described in this section is deemed to be present in person at the meeting. All action that can be considered and taken at a regular meeting of the Board of Directors can be taken at a meeting of the Board of Directors conducted under this section, except that the Directors cannot vote at the meeting;

1) on a plan of merger;

2) to sell, lease, mortgage, pledge, exchange or otherwise dispose of or encumber property or assets of the Cooperative outside of the ordinary course of business;

3) to voluntarily dissolve or to revoke voluntary dissolution proceedings;

4) to file for bankruptcy.

ARTICLE VI - CORPORATE OFFICERS

Section 1. Number.

The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, and such other officers as may be determined by the Board, any of whom may be, but shall not be required to be, a member or Director of the Cooperative. The offices of Secretary and Treasurer may be held by the same person.

Section 2. Election.

The officers shall be elected by the Board at each organizational meeting. Each officer shall hold office at the pleasure of the Board. No person shall have the right to retain any office, or the privileges thereof, except as the Board in its sole discretion shall determine. A vacancy in any office shall be filled by the Board.

Section 3. Removal of Officers and Agents by the Board of Directors.

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

Section 4. President

- A. The President shall be the principal executive officer of the Cooperative.
- B. The President shall sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board 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.
- C. The President shall perform all duties incident to the office and such other duties as may be prescribed by the Board

Section 5. Vice President.

In the absence of the President, or in the event of the President's inability or refusal to act, the Vice President, or, if there be more than one Vice President, then the Vice President who is available and highest on the list of succession maintained by the Board, 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 may be prescribed by the Board or President.

Section 6. Secretary.

The Secretary shall be responsible for:

- A. keeping the minutes of the meetings of the members and of the Board in 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 and the seal of the Cooperative; and where appropriate, affixing the seal of the Cooperative to all documents;
- D. keeping a register of the names and post office addresses 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 inspection by any member.
- F. furnishing at the expense of the Cooperative, a copy of the Bylaws and of all amendments thereto to any member upon request; and
- G. performing all duties incident to the Office and such other duties as may be prescribed.

Section 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 bank or banks as shall be selected in accordance with the provisions of these Bylaws;
- C. the performance of all duties incident to the Office and such other duties as may be prescribed by the Board or President.

Section 8. Bonding.

The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded 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 be bonded in such amount and with such surety as it shall determine.

ARTICLE VII - NON-PROFIT OPERATION

Section 1. Classification of Business.

With respect to the furnishing of electric energy, and the allocation of capital credits in connection therewith, the Board may classify the business done by the Cooperative with all of its patrons into classes of business and patronage. Such classifications shall be based on factors relating to the cost of rendering service and the rates lawfully chargeable in connection therewith in accordance with reasonable accounting, engineering and utility standards and practice. The Board may apply to such classes of business, formulas designed to equitably determine for each class so established any amounts paid by patrons within such class in excess of the costs of service for such class. In developing such formulas and in determining the respective amounts of capital so furnished by all patrons within such classes, the Board shall give regard to the level of capital contributed by each such class of business during the current or any prior fiscal year so as to equitably adjust the aggregate capital accounts between and among classes of business. If the receipts from every class of business in any year exceed the costs and expenses allocable and chargeable thereto, then the excess of receipts over expenses for each class of business shall be allocable to each such class as capital credits and to patrons within each such class on a dollar patronage basis. If, however, the costs and expenses chargeable or allocable against any one or more classes of business exceed the receipts from all patrons within such class or classes of business, then such deficit shall be charged against the patronage margins otherwise assignable to any remaining class or classes of business, on a dollar volume patronage business, so that in no year shall there be credited to patrons as patronage capital an amount greater than the excess of receipts from all patrons over the costs and expenses of doing business with all patrons. All patronage margins contributed by patrons within a given class of business shall be assigned to such patrons on a dollar volume basis of patronage, but no patronage capital shall be deemed to have been contributed by, or shall be allocated to, any patron within any class of business, if the receipts from all patrons within such class do not exceed the costs and expenses chargeable or allocable to such class. In the event patronage from any patron falls into two or more classes of business, capital credits assigned to such patron shall be the net amount of the capital credits determined after debiting and crediting such patron's account with all patronage debits and credits from all such classes of business.

Section 2. 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 3. Patronage Refunds in Connection with Furnishing Other Service.

In the event that the Cooperative should engage to a substantial extent in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods and services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned or allocated to those patrons, members or non-members alike, from whom such amounts were obtained.

A. In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons within a particular business classification for all amounts received and receivable from the furnishing of electric energy to patrons within such classification in excess of operating costs and expenses properly chargeable against the furnishing of electric energy to patrons within such classification. Subject to the provisions hereof relating to adjustments between and among classes of business, 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 patrons as capital. Subject to the provisions hereof relating to adjustments between and among classes of business, the Cooperative is obligated to pay as credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be kept in such a 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 to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to that patron's class of business and to that patron's 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 pursuant to a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts of capital.

B. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be

apportioned among the various classes of business on a total patronage basis and shall be;

(1) used to offset any losses incurred during the current or any prior fiscal year, and

(2) to the extent not needed for that purpose, allocated to its patrons within such business classifications on a patronage basis. Any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

Section 4. Retirement of Patronage Capital.

- A. In the event of dissolution or liquidation of the Cooperative, and 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.
- B. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial conditions of the Cooperative shall not be impaired thereby, the capital then credited to patrons accounts may be retired in full or in part. Whenever a patron's total capital account is less than \$25.00, it may be retired at any time. All other retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired, unless the Board of Directors, acting under policies of general application within each of the Cooperative's classes of business and patronage, shall determine otherwise.

Section 5. Assignment of Patronage Capital.

Except as provided in Sections 8 and 9 hereof, capital credited to the account of each 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 patron's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.

Section 6. Prior Retirement to Successors of Deceased Patrons.

Notwithstanding any other provision of these Bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, who was a natural person, if the personal representatives, or proper successors or assigns of the deceased patron shall request in writing that the capital credits to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credits to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the personal representatives, or proper successors or assigns shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby. The Board is authorized, but not required, to provide for prior retirements to the surviving beneficiary or beneficiaries of an inter vivos trust if the deceased person lived on premises owned by said trust, said premises received service from the Cooperative under a membership issued either in the name of said trust or in the name of the deceased person, and the deceased person was both a grantor (settlor) of said trust and a beneficiary of said trust.

Section 7. Security Interest in Patronage Capital.

The Cooperative shall have a continuing security interest in the patronage capital allocated and credited to any patron for any indebtedness due and owing from such patron to the Cooperative. The patron shall execute such documents as the Cooperative may request to create and perfect this security interest. The rights of the Cooperative under the security interest hereby granted may be exercised in the event of the default in payment by the patron of the patron's obligations, or in the event of the bankruptcy of the patron, and such indebtedness of the patron shall be subtracted from the capital allocated and credited to the patron in any retirement thereof to said patron or the patron's successors, personal representatives, or assigns.

Section 8. Assignment to Federated Youth Foundation, Inc.

Any patron may assign all or any portion of the patronage capital now or hereafter expected to be credited to that patron pursuant to this Article VII to Federated Youth Foundation, Inc., a charitable tax exempt trust, effective as of the date of assignment subject to the Cooperative's prior lien for unpaid charges under Section 6 of this Article.

Section 9. Forfeiture of Unclaimed Funds.

- A. The Cooperative shall effect the forfeiture of all unclaimed funds, including all forms of distributions or capital credits, membership fees,

deposits, and dividends, and shall do the following in connection therewith:

- (1) no earlier than three years and no later than five years after the funds are first made available to the owners, the Board shall declare the funds forfeited to the Cooperative unless claimed by a specified date;
- (2) after the declaration of forfeiture, the Cooperative shall give notice that states that the funds shall be forfeited if not claimed by the specified date, which date shall be a business day at least 60 days after the mailing of the notice;
- (3) the notice under paragraph (2) shall be mailed to the last known address of each owner and shall be published on or before the date of mailing in a newspaper published in a municipality contained within the service area of the Cooperative;
- (4) the Cooperative shall dedicate any funds remaining unclaimed after the date specified in paragraph (2) to educational purposes, limited to providing scholarships or loans to students, or to charitable purposes, as the Board determines, within one year after the date the funds are declared forfeited under paragraph (1). Educational purposes shall not include political purposes as defined in Section 11.01(16), Wisconsin Statutes.

B. At any time subsequent to forfeiture under this Bylaw, the owner of forfeited funds may submit a claim to the Board and if the Board determines that the person owned the funds at the time of the forfeiture, it shall refund the funds to the person, without interest.

C. The Board may establish a reasonable reserve for payment of claims, which reserve shall be credited to patrons in accordance with the ratio which their patronage bears to total patronage. This reserve shall be reimbursed for claims charged thereto, out of funds subsequently declared forfeited.

Section 10. Subscriptions to Wisconsin Energy Cooperative News.

The Cooperative, through action of its Board of Directors, is authorized in the name of and on behalf of each member of the Cooperative, to subscribe to the Wisconsin Energy Cooperative News. The expense of such subscriptions for all

members shall be charged to the aggregate of capital deposited by members under Section 3 of this Article in the same manner as are charged other appropriate expenses of the Cooperative.

Section 11. Contractual Obligations.

Patrons of the Cooperative acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

ARTICLE VIII - DISPOSITION OF PROPERTY

Section 1. Limitation.

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such action is authorized at two meetings of the membership held at least 335 days apart. At each meeting, approval of such action must be by the affirmative vote of not less than three-fourths (3/4) of all of the members of the Cooperative. Notice of the proposed action must be set forth in the notice of the meeting.

Section 2. Exception for Authorized Borrowing.

Without authorization by the members, the Board of Directors shall have full power and authority to borrow money from the United States of America or any agency or instrumentality thereof, or from National Rural Utilities Cooperative Finance Corporation (hereinafter referred to as "C.F.C."), or other financing institution or bank, and in connection with such borrowing may authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any such indebtedness.

Section 3. Exception for Transactions with Cooperatives.

With the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, the Board of Directors may sell, lease or otherwise dispose of all or a substantial portion of its property to, or merge or consolidate with, another Cooperative or foreign corporation doing business in this state pursuant to the Act under which this Cooperative is incorporated.

Notice of the proposed action must be set forth in the notice of the meeting of members authorizing such action.

ARTICLE IX - CORPORATE SEAL

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal".

ARTICLE X - FINANCIAL TRANSACTIONS

Section 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 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 or countersigned by such officers, agents, or employees of the Cooperative and in such manner as shall be determined by resolution of the Board.

Section 3. Deposits and Investments.

All funds, except petty cash of the Cooperative, shall be deposited or invested to the credit of the Cooperative in such financial institutions or securities as the Board may select. Nothing herein shall be deemed to prohibit the Board from extending loans to members for proper purposes in the interest of the Cooperative.

Section 4. Fiscal Year.

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

ARTICLE XI - MISCELLANEOUS

Waiver of Notice.

Any member or Director may waive in writing any notice of a meeting required to be given by 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 ground that the meeting has not been lawfully called or convened.

ARTICLE XII - INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS

Section 1. Circumstances Requiring Indemnification.

If an individual incurs expenses including attorney fees, costs, fines, forfeitures, money judgments or settlement payments as a result of being made a party or being threatened to be made a party to any civil, criminal, administrative, investigative or other legal or equitable action, including a threatened, pending or completed action, because of the individual's service at any time as an officer, Director, employee or agent of this Cooperative or, at the request of this Cooperative, for another entity, the Cooperative shall indemnify the individual after the final resolution of the action, or all parts of the action which concern the individual, for actual and reasonable expenses incurred if any of the following applies:

- A. the individual has not been made liable for any fine, forfeiture, money judgment or settlement payment, has not been made subject to an injunctive remedy or a criminal conviction, and has not entered a plea of guilty or no contest;
- B. a court or other official tribunal so orders;
- C. a determination is made as provided in Section 2 that the individual's conduct that was the subject of the action was undertaken in good faith with the reasonable belief that the conduct was in the best interests of the Cooperative or not opposed to the Cooperative's best interests and with no reasonable cause to believe that the conduct was unlawful.

Section 2. Determination of Indemnification.

A determination that an individual's conduct complied with the standard set forth in Section 1 C. shall be made as follows:

- A. the Board, by a majority vote of a quorum of the Board, shall make the determination or shall direct that the determination be made as provided in paragraph B., below, or shall direct that it be made as provided

in paragraph C., below. For purposes of this subdivision, a Director who was or is a party or threatened to be made a party to the action may not be counted in calculating a quorum and may not vote if a quorum is obtained. If a quorum cannot be obtained, the determination shall be made as provided in paragraph C., below;

B. if the majority vote of a quorum under paragraph A., above, directs, the members, by a majority vote of a quorum of the members, shall make the determination. For purposes of this subparagraph, a member who was or is a party or threatened to be made a party to the action may not be counted in calculating a quorum and may not vote if a quorum is obtained. If a quorum cannot be obtained, the determination shall be made as provided in paragraph C., below;

C. if the majority vote of a quorum under paragraph A., above, directs, or if a quorum cannot be obtained under paragraph A., above, or if a quorum cannot be obtained under paragraph B., above, the determination shall be made by written opinion of independent legal counsel.

Section 3. Advance Payment of Expenses.

The Cooperative may pay the expenses incurred by an individual under Section I in advance of the final resolution of the action or all parts of the action concerning the individual if the Board, by a majority vote of a quorum of the Board, elects to do so and if the Board receives an undertaking by or on behalf of the individual to repay the Cooperative unless the individual is indemnified under this section. For purposes of this subsection, a Director who was or is a party or threatened to be made a party to the same action may not be counted in calculating a quorum and may not vote if a quorum is obtained. Likewise, the Cooperative may pay the expenses in advance, or assume the responsibility therefore if a determination is first made that the individual's conduct complied with the standard set forth in Section 1 C. hereof.

Section 4. Insurance.

The Cooperative may purchase insurance that covers expenses incurred by an individual under Section 1 regardless of whether the individual could be indemnified for the expenses under this section.

ARTICLE XIII - AMENDMENTS

These Bylaws may be altered, amended or repealed by the members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. Such adoption, amendment or repeal may be adopted by a majority of the member votes cast at a meeting.

These Bylaws may also be altered or amended (but not repealed) by the affirmative vote of not less than a majority of the members of the Board at any regular or special Board meeting. Any bylaw adopted or amended by the Board shall be reported at the next regular or special member meeting and same shall be at any time subject to amendment or repeal by a majority of the member votes cast at a meeting.