

**SPOON RIVER ELECTRIC
COOPERATIVE**

ARTICLE I
Membership

Section 1. Eligibility.

- (a) Any natural person, firm, association, corporation, trust, partnership, limited liability company or body politic or subdivision thereof ("Person") shall be eligible to become a Member of Spoon River Electric Cooperative, (hereinafter called "Cooperative"), provided that such Person is: using, receiving or purchasing electric energy and/or electric capacity from or through the Cooperative (hereinafter collectively "Electric Energy").
- (b) 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, or unless allowed in writing by the Cooperative's Board of Directors ("Board") and no Cooperative membership, and no right or privilege associated with Cooperative membership, may be sold, purchased, assigned or otherwise transferred.

Section 2. Membership Procedure. Any Person seeking to become a Member ("Applicant") must complete the following procedures ("Membership Procedures"):

- (a) Prior to the date any Person begins using, receiving or purchasing Electric Energy from the Cooperative, that Person shall complete a written application provided by the Cooperative in which the Applicant agrees, in writing, to comply with:
 - (i) All applicable law and legally binding agreements regarding the:
 - (A) Cooperative;
 - (B) Cooperative's operation;
 - (C) Cooperative's assets;

- (D) Cooperative's Members and Patrons; and
 - (E) Provision, use, receipt and purchase of Electric Energy.
 - (F) Legislative, executive, administrative and judicial statutes, case law, regulations, ordinances, rulings or orders;
 - (G) Local, state and federal statutes, case law, regulations, ordinances, rulings or orders;
 - (H) Contractual provisions, legally enforceable by, or against the Cooperative; and
 - (I) Legally binding contracts between the Cooperative and the Applicant or Member (collectively called "Law").
- (ii) The Cooperative's Articles of Incorporation as they exist from time to time:
- (A) These Bylaws as they exist from time to time;
 - (B) The Cooperative's policies, rules and regulations adopted from time to time hereafter, and Applicant agrees that sufficient consideration exists by the Cooperative furnishing Electric Energy so that the rules and regulations may be hereafter unilaterally amended by the Cooperative;
 - (C) The Cooperative's rate or price schedules adopted from time to time and as hereafter amended in the future; and
 - (D) Any policy, resolution, action or amendment adopted by the Cooperative's Board, or Membership hereafter.
- (b) The duties of being a Member of the Cooperative including, without limitation, paying for Electric Energy or other

Cooperative services at the prices, rates or amounts determined from time to time by the Board as the same are used, purchased or received by the Member or any member of the Member's household at any dwelling or structure owned, operated or controlled directly or indirectly by the Member; and pay all reasonable dues, fees, deposits and contributions required by these Bylaws, or the Board policies from time to time, or any other amounts required by Law. Applicant also agrees to:

- (i) Complete any additional or supplemental document or contract required by the Board for providing Electric Energy which the Applicant is seeking to use, receive or purchase including without limitation, providing an easement to the Cooperative for the provision of electrical service to the Applicant or to another Member of the Cooperative;
- (ii) Pay the Cooperative any dues, assessments, fees, deposits, contribution or other amount required by these Bylaws or the Board's policy;
- (iii) Pay all outstanding amounts due and owing to the Cooperative by the Applicant if the Applicant has received service in the past.

Section 3. Deemed Membership. Any Applicant who fails to complete a membership application on the Cooperative's approved form within 90 days from the date that the Applicant accepts the receipt of Electric Energy from the Cooperative shall be deemed to have accepted the terms and conditions contained in the membership application as fully and with the same force and effect as though the Applicant executed same and the Applicant shall become a Member of the Cooperative with all of the rights, privileges, immunities and responsibilities of membership herein, and the Applicant shall be deemed fully bound by the terms and conditions of the Articles of Incorporation, Bylaws, Policies, Rules and Regulations of the Cooperative, and the Law as the same exist from time to time hereafter, by virtue of the Applicant's acceptance of the Electric Energy furnished to the Applicant by the Cooperative.

Section 4. Renewal of Prior Application. Any former member of the Cooperative may, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at the Illinois legal rate on judgments in effect when such account first became overdue, compounded annually, (together with any service security deposit, service connection deposit

or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), renew or reactivate any prior application for membership to the same effect as though the application has been newly made on the date of such payment.

Section 5. Membership Certificate. Membership in the Cooperative may, at the discretion of the Board, be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board.

Section 6. Membership Records. The Cooperative shall maintain a record of the names of all Members who are currently or have previously received Electric Energy.

Section 7. Joint Membership.

- (a) Unless otherwise requested, an application for membership by a married person shall be deemed to be an application for a joint membership between that married person and the married person's spouse. A husband or wife applying for membership, and subject to their compliance with the requirements set forth in these Bylaws, shall be accepted for membership as joint members. The term "Member" as used in these Bylaws shall be deemed to include a husband and wife 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:
 - (i) The presence at a meeting of either or both shall be regarded as the presence of one Member and shall constitute a joint waiver of notice of the meeting;
 - (ii) The vote of either separately or both jointly shall constitute one joint vote;
 - (iii) A waiver of notice signed by either or both shall constitute a joint waiver;
 - (iv) Notice to either shall constitute notice to both;

- (v) Expulsion of either shall terminate the joint membership;
 - (vi) Withdrawal of either shall terminate the joint membership;
 - (vii) Either but not both may be elected or appointed as an officer or board member, provided that the Member elected or appointed meets the qualifications for such office.
- (b) Two persons other than a husband and wife who occupy the property as their principal residence may, upon written request therefore, hold a joint membership for service to that residence only. In the event that said residence is abandoned by either of said parties, the joint membership shall be deemed terminated as to both parties, effective with the date of abandonment and the party so abandoning the residence shall no longer be deemed a joint Member of the Cooperative based upon that particular service. In the event that one of the said joint Members continues to take service at said residence, a new individual membership shall be deemed issued to the person who continues service at the residence and he or she shall be deemed the Member thereafter. The Cooperative shall have no duty to search for the date of abandonment and it shall be the duty of the joint Member to advise the Cooperative of the date of abandonment and the date of the transfer of said membership to the continuing individual Member.
- (c) An individual membership may be converted to a joint membership upon the written request of the holder of the membership and the agreement by the holder and the joint Member to comply with the Articles of Incorporation, Bylaws, Policies, Rules and Regulations adopted by the Board of Directors from time to time. The outstanding membership certificate may be surrendered, and may be reissued by the Cooperative in such manner as shall indicate the changed membership status. The failure to reissue a membership certificate within ten days from the date of such request shall be deemed to be a conversion of the individual membership to a joint membership and the parties and each of them holding the membership agree to be bound thereby.

- (d) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in such manner as shall indicate the changed membership status, provided, however, that the deceased Member shall not be released from any debts due and owing the Cooperative. In the event the membership is not tendered for reissuance within ten days from the date of the decedent Member's death, then the membership shall be deemed transferred to the surviving joint Member, subject to any amounts due and owing to the Cooperative from the decedent's estate and/or the joint Member.
- (e) In the case of divorce or annulment of marriage between a husband and wife who own a joint membership, the membership shall not be continued in the name of both joint Members but shall be converted to a membership for only one of the joint Members. If the court granting the Judgment of Dissolution of Marriage or annulment, or any other court of competent jurisdiction does not determine which spouse is to succeed to the membership, then the parties shall resolve the succession by a written release signed by the spouse whose name is to be dropped from said joint membership. That release shall be in such form as from time to time prescribed by the Cooperative and shall include a disposition of all capital credits then earned but not assigned. If the parties have not determined in whose name the membership shall be continued and have not filed such release with the Cooperative within 30 days of the date the Judgment of Dissolution of Marriage or annulment of the parties has occurred, then the joint membership shall be deemed terminated between the parties and the capital credits to which these Members may have been entitled or become entitled in the future shall be credited to a capital account in the name of both parties subject to transfer only by written order of both parties. In the case of such accounts, the Cooperative may, however, make payment of capital credits by a check with both parties' name thereon and sent to the last known address on the Cooperative's books and records. The parties agree that the recipient of such check shall be deemed a trustee for the other and the Cooperative shall have no further liability for the payment of such capital credits to either party. Subject to the foregoing, on the expiration of 30 days after the date a Judgment of Dissolution of Marriage is entered between the parties, the Member who continues to take

service at said location shall be deemed the sole Member and shall have all of the rights of membership, including the right to vote the membership, and the right to assign capital credits earned on and after the date of the Judgment of Dissolution of Marriage.

Section 8. Membership Fees. The membership fee shall be such amount as is established by the Board from time to time hereafter.

Section 9. Purchase of Electric Energy.

- (a) As required or allowed by law, and unless otherwise specified in writing by the Board, each Member shall purchase, use or receive Electric Energy from the Cooperative for all of that Member's electrical needs. Each Member shall comply with and abide by, any and all Policies, Programs, Rules, Procedures or other determinations promulgated by the Board regarding the provision of Electric Service to the Member.
- (b) Each Member shall pay to the Cooperative at the prices, rates and amounts established and determined by the Board from time to time for all Electric Energy, distribution equipment and specialized electric equipment used, purchased or received by the Member or used, purchased or received at any dwelling, building, equipment or structure owned, controlled or occupied by the Member or the Member's Tenants, together with all such other reasonable charges, assessments, late fees, deposits, contributions in aid of construction, or other amounts required by Law, these Bylaws, or Rules or Regulations promulgated by the Board from time to time as the same are now in existence, or as may hereinafter be amended ("Electric Service").
- (c) It is expressly understood that amounts paid for Electric Service in excess of the cost of such Electric Service are furnished by the Member to the Cooperative as capital and each Member shall be credited with the capital so furnished as provided by Law, in these Bylaws, or in other Rules or Regulations promulgated by the Board from time to time as the same are now in existence or as hereinafter amended.
- (d) Each Member may be required to pay to the Cooperative a minimum amount for Electric Service regardless of the amount of electricity used, received or purchased by the Member, as

that minimum electric service charge shall be fixed by the Board from time to time.

- (e) Should it become necessary to obtain a judgment against a Member for amounts unpaid to the Cooperative for Electric Services, the amount of the judgment shall also include an assessment for the reasonable costs and attorney's fees of collection, together with judgment interest as provided for from time to time by Law.
- (f) Production of electricity on the Member's premises, regardless of the source thereof, shall only be interconnected with the Cooperative's facilities in compliance with such Rules and Regulations as may be fixed from time to time by the Board.
- (g) When any Member has more than one service connection, any payment by that Member to the Cooperative for Electric Service shall be deemed to be allocated and credited on a pro-rata basis to all of that Member's outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation or pro-rata.

Section 10. Suspension of Membership.

- (a) The Cooperative may suspend a Member if the Member:
 - (i) Fails to timely pay any amounts due the Cooperative;
 - (ii) Fails to timely comply with the Membership Agreement, these Bylaws, the Articles of Incorporation, Cooperative Policies and/or any Rules or Regulations previously adopted or hereafter adopted by the Board from time to time ("Governing Documents");
 - (iii) For six consecutive months, ceases using, receiving or purchasing any Electric Energy;
 - (iv) Voluntarily requests a suspension; or
 - (v) As otherwise may be provided in these Bylaws, or for good cause determined by the Board (collectively "Suspension Reason").

- (b) Upon the suspension of any Member, the Member shall be notified at the last known address of the Member of such suspension. Any Member or partner leaving a partnership-Member shall remain liable to the Cooperative for any amounts owed to the Cooperative by the Member or partnership-Member at the time of the Member or partnership-Member's departure.
- (c) Upon a Member's suspension, the Cooperative's duties, obligations and liabilities imposed by these Bylaws running from the Cooperative to the Member shall also be suspended and the Cooperative may cease providing Electric Service to the Member.
- (d) Notwithstanding the foregoing, the Cooperative's decision to retire and refund Capital Credits to the suspended Member shall not be affected by the Member's suspension and the Member's rights to such Capital Credits shall remain in full force and effect as the same had accrued up to the date of such suspension.
- (e) Other than the right to receive retired and refunded Capital Credits and the right to receive property upon the Cooperative's dissolution, a suspended Member otherwise relinquishes and forfeits all rights provided for in the Governing Documents including, without limitation, any voting rights provided by the Governing Documents. A suspended Member, however, remains subject to all obligations imposed by the Governing Documents.
- (f) A Member's suspension may be lifted upon the Member's rectifying, to the Cooperative's reasonable satisfaction, the underlying Suspension Reason. The Board may lift any Member's suspension for good cause as shall be determined in good faith by the Board from time to time.

Section 11. Member Termination. Upon approval by the Board and as allowed by Law and the Governing Documents, a Member may be terminated for any of the foregoing reasons set forth for a suspension or for any reasons provided by the Law and the Governing Documents. Termination of a Member does not, however, release that Member from any debts, liabilities or obligations owed to the Cooperative. Subject to the provisions of Sections 14 and 15 of this Article, the Cooperative shall, nevertheless, return to a terminated Member refunds of Capital Credits due to that Member from time to time as the same are retired and the terminated Member shall be entitled to the rights of a Member upon the dissolution of the Cooperative.

Section 12. Property Interest of Members. Upon dissolution, after all debts and liabilities of the Cooperative shall have been paid, and all capital furnished through patronage shall have been retired as provided by these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the Members and former Members of the Cooperative in proportion to which that Member's aggregate patronage over each year of that Member's membership bears to the total patronage of all Members from the time of the commencement of the Cooperative to the date of dissolution.

Section 13. Non-liability for Debts of the Cooperative. A Member shall not be liable to third parties for the Cooperative's acts, debts, liabilities or obligations. The private property of the Members of the Cooperative shall be exempt from execution for the debts of the Cooperative. A Member, however, may be or become liable to the Cooperative as provided in these Bylaws, the Law, the Governing Documents or as otherwise agreed to by the Member and the Cooperative.

Section 14. Liens and Rights of Setoff. The Cooperative shall have a lien on and the right to set off any debts due by a Member to the Cooperative against the Capital Credits assigned, allocated or accrued to the account of that Member for any debt or sum of money due the Cooperative from that Member of whatever kind including, but not limited to, charges for Electric Services, damage to Cooperative property, purchases from the Cooperative, late payment fees, and reasonable attorneys' fees, reasonable litigation expenses and court costs incurred in the collection of any such indebtedness. The amount of the setoff shall be based upon the present value of that Member's Capital Credits earned or accrued to the date of the setoff, using a first-in/first-out basis. The present value of such Member's Capital Credits shall be computed based on the period of revolvment of Capital Credits being maintained by the Cooperative at the time of the setoff, or if no schedule of revolvment has been adopted by the Cooperative, then on the basis of a thirty-year revolvment of Capital Credits. The discount rate to be used in making the computation of the value of the Capital Credits shall be equal to the weighted cost of capital of the Cooperative then available, as determined by the Board of Directors or Cooperative management from time to time.

Section 15. Attorneys' Fees, Litigation Expenses and Court Costs. In the event it is necessary for the Cooperative to hire an attorney to enforce the terms and conditions of the Articles of Incorporation, these Bylaws, the Law, Governing Documents, the Membership Agreement or any other agreement against any Member or to collect from any Member sums that have become due and owing to the Cooperative from the Member for the purchase of Electric Energy, Electric Service or other products or services offered by the Cooperative, then upon the entry of judgment, there shall be included in such judgment an amount equal to the reasonable attorneys' fees, reasonably necessary litigation expenses and court costs incurred by the Cooperative in such enforcement against a Member.

ARTICLE II *Meeting of Members*

Section 1. Annual Meeting. The annual meeting of the Members shall be held between January 1 and September 15 of each year at such place within the service area in any county where the Cooperative owns or maintains electric distribution or transmission lines, as selected by the Board of Directors and such meeting place, time and date shall be specified in the notice of the meeting 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 shall it affect the validity of any corporation action.

Section 2. Special Meetings. Special meetings of the Members may be called by the resolution of the Board of Directors, upon a written request signed by a majority of the Board members, by the Chairman of the Board, or by ten percent or more of all the Members, and notice of such meeting shall be given as herein provided. Special meetings of the Members may be held at any place in any county where the Cooperative owns or maintains electric distribution or transmission lines as designated by the Board and such meeting place, time and date shall be specified in the notice of the special meeting.

Section 3. Notice of Members' Meetings. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose for which the meeting is called, shall be delivered not less than five days nor more than 60 days before the date of the meeting, or in the case of removal of one or more directors, merger, consolidation, dissolution, or sale, lease or exchange of assets, not less than 20 nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board of Directors or Secretary, or upon a default, by the persons calling the meeting, to each Member of record entitled to vote at such meeting.

If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member at his address as it appears in the records of the Cooperative, with postage thereon prepaid. 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 4. Quorum. Seventy-five Members, present in person or by proxy, shall constitute a quorum. 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.

Section 5. Voting. Each Member receiving Electric Services shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the Members. With regard to each joint membership, each joint membership shall be entitled to only one vote on each matter and if the parties are unable to agree on that particular vote, then each party to the joint membership may vote a fractional one-half vote. All questions shall be decided by a vote of a majority of the Members voting thereon in person except as otherwise provided by Law, the Articles of Incorporation or these Bylaws. Suspended and terminated Members shall not be entitled to vote upon any matter whatsoever. Action by Members shall only be taken at regular, annual or special membership meetings. Member meetings may be conducted by electronic media in such fashion as the Board may determine so long as the media so chosen shall not abridge in any way any Member's right to vote or participate in any membership meeting.

The Board may establish from time to time, procedures for verification of a Member's right to vote.

Section 6. Inspectors.

- (a) At any meeting of the Members, the Chairman of the meeting may, or upon the request of any Members, shall appoint Inspectors consisting of an uneven number of Members not less than five nor more than nine Members who are not existing Cooperative employees, agents, officers, directors or candidates for director, and who are not close relatives (as defined herein) or members of the same household of existing Cooperative employees, agents, officers, directors or candidates for director. In appointing the Inspectors, the Board shall have due regard for equitable representation of the several districts served by the Cooperative.
- (b) The Inspectors shall ascertain and report the number of votes represented at the meeting and count the votes on any issue upon which the membership shall vote by ballot based upon their determination of the validity and effect of proxies and the votes so made and tabulated; and do such other acts as are proper to conduct the election and voting with impartiality and fairness to all of the Members.

- (c) In the exercise of their responsibilities, the Inspectors shall have available to them the advice of counsel provided by the Cooperative.
- (d) In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three business days following the adjournment of the meeting in which the voting is conducted. In such event, the Inspectors shall thereupon be reconvened and consider the objection or protest within seven days after such protest or objection is filed. The Inspectors shall hear such evidence as is presented by the protestor(s) or objector(s), who may be heard in person, or by counsel, or both, and any opposing evidence in connection therewith. The Inspectors, by a vote of a majority of those present and voting, shall, within a reasonable time but not to exceed thirty (30) days after the date of such hearing, render its decision, the result of which may be to affirm the protest, to change the outcome of any election, or to set aside any election.
- (e) The Inspectors' decision (as reflected by a majority of those actually present and voting) on all matters properly before the Inspectors shall be final as is consistent with Law.
- (f) The Inspectors may not affirmatively act on any matter unless a majority of the Inspectors are present to take action thereon.
- (g) Each report of the Inspectors shall be in writing and signed by them or by a majority of them to certify any decisions that are made.

Section 7. Record Date. The Board may fix a date for determining the Members entitled to vote at a Member meeting ("Record Date"). Those Members who are determined to be Members as of the Record Date shall then be eligible to vote for all purposes at the Member meeting and receive all communications and notices to Members concerning such meeting. In the absence of the fixing of a Record Date, those persons who have completed a membership application on or before the date of the membership meeting shall be entitled to vote thereat.

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 as set out in the agenda published in the notice of such annual or other membership meeting. The Board shall determine such Agenda by majority vote of its Members.

Section 9. Member Voting By Proxy.

- (a) At all meetings of Members, a Member may vote by proxy executed in writing by the Member or by the Member's agent pursuant to a lawful power of attorney in the form approved by the State of Illinois statutes and placed on file with the Cooperative. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be voted at any meeting of the Members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. No Member shall vote as proxy for more than three Members at any meeting of the Members. No proxy shall be valid after eleven months from the date of its execution. The presence of a Member at a meeting of the Members shall entitle that Member to vote at such meeting in the same manner and with the same effect as if he or she had not executed a proxy provided, however, that the Member shall retrieve said proxy previously granted. In the case of a joint membership, a proxy may be executed by either husband or wife. The presence of either of them at a meeting of the membership shall revoke a proxy theretofore executed by either of them and such joint Member or Members shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed. A proxy vote must be cast by a Member receiving Electric Services.
- (b) A representative of a corporation, partnership, limited liability company, or other such entity, who desires to vote in a representative capacity on behalf of the entity shall provide such documentation evidencing that party's ability to vote on behalf of that Member entity as may be required by the rules and regulations adopted by the Board from time to time.

ARTICLE III *Board of Directors*

Section 1. General Powers. The management of the affairs of the Cooperative shall be conducted by a Board of nine Members which shall serve staggered three-year terms and which shall exercise all of the powers of the Cooperative except such as are by Law, the Articles of Incorporation or by these Bylaws conferred upon or reserved to the Members.

Section 2. Election and Tenure of Office.

- (a) Members of the Board shall be elected by a majority vote of the Members present, in person or by proxy, at a meeting called for the purpose of electing Board Members, or at the annual meeting of the Members by and from the eligible Members of the Cooperative. Such Members so elected shall serve according to the terms provided for in these Bylaws or until their successors shall have been elected and shall have qualified. If an election of Board Members shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, a special meeting of the Members shall be held for the purpose of electing Board Members within a reasonable time thereafter. In the event of more than two candidates for any Board position and upon a vote, no candidate received a majority of the votes of the Members present in person or by proxy, the Member receiving the lowest number of votes will be dropped from contention and the Members will then revote on the remaining candidates as many times as necessary until one Member receives a majority of the votes by the Members present in person or by proxy for that office of Director.

- (b) At least one Board Member shall be elected from each of the nine board districts established by the Board from time to time so as to ensure fair and equitable representation of the entire Membership. The map designating the districts shall be deemed a permanent part of these Bylaws as the same exists or as amended from time to time.

Section 3. Qualifications.

- (a) In order to be or become eligible to be or remain a Board Member of the Cooperative, the Person must:
 - (i) Be a Member and bona fide resident of the particular district which he or she is to represent.

 - (ii) Not be employed by or financially interested in:
 - (A) any entity which is a competing enterprise to any of the Cooperative's businesses, or any entity which sells electricity or electrical services; or

- (B) any entity that is doing business with the Cooperative.
 - (iii) Not be a current or past Employee of the Cooperative or the Close Relative of a current or past Employee of the Cooperative.
 - (iv) Not be a Close Relative of a current Member of the Board of Directors.
 - (v) Have completed and received NRECA Credentialed Director Certification during the first two 3-year terms as a Member of the Board of Directors provided, however, that any Board Member who completes and receives NRECA Credentialed Director Certification prior to the date of the meeting of the Committee on Nominations prior to the expiration of his or her second term may continue to serve on the Board as he or she may be re-elected from time to time thereafter.
- (b) "Close Relative" for purpose of this Article shall mean spouse, son, daughter, brother, sister, mother, father, son-in-law, daughter-in-law, grandson or spouse thereof, granddaughter or spouse thereof, aunt, uncle, nephew, niece, or stepchild of the person in question.

Section 4. Committee on Nominations.

- (a) It shall be the duty of the Board to appoint, not less than 120 days nor more than 180 days before the date of a meeting of the Members at which Board Members are to be elected, a Committee on Nominations consisting of nine Members who shall be selected from nine different districts, as delineated by the Board from time to time, so as to ensure equitable representation.
- (b) No member of the Board may serve on such Committee.
- (c) The Committee, keeping in mind the principle of equitable representation, shall prepare and post at the principal office of the Cooperative not less than five days after the meeting of the Committee on Nominations a list of nominations for Board Members for each board position to be filled by election.

- (d) Additional nominations may be made only in the following manner: Any 15 or more Members acting together may make other nominations by petition, which nominations must be received at least 75 days before the meeting and the Secretary shall post the nominations at the same place where the list of nominations made by the Committee is posted.
- (e) The Secretary shall be responsible for mailing with the notice of the meeting, or separately, but at least ten days before the date of the meeting, a statement of the number of Board Members to be elected and the names and addresses of the candidates nominated by petition and by the Committee on Nominations. These nominees, by committee and petition, shall be included on the official ballot.

Section 5. Removal of Board Members.

- (a) In the event any existing Board Member shall, during any term of office, no longer meet the qualification set out in Section 3 hereof, that Board Member may be removed by a majority vote of the Board or upon his voluntary resignation.
- (b) Any Member may bring charges for cause against a Board Member and, by filing with the Secretary such charges in writing together with a petition signed by at least 10 percent of the Members or 300 Members, whichever is the lesser, may request the removal of such a Board Member by reason thereof. The charging Member shall present his evidence to the Board which shall decide by majority vote, excluding the charged Member, if there is sufficient cause to justify calling a special meeting of the Members. The question of the removal of a Board Member shall not be voted on by the Members at all unless some substantial evidence in support of the charge or charges against him shall have been presented to the Board through oral testimony, documents, or otherwise. Such Board Member or Members shall be informed in writing of the charges at least 20 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 to the charges; and the person or person bringing the charges against him shall have the same opportunity. If there is such evidence, then the question of removal of such Board Member shall be considered and voted upon at the meeting of the Members. An affirmative vote of two-thirds of the votes present and voted shall be required to

remove the Board Member. No Board Member shall be removed at a meeting of Members entitled to vote, unless the written notice of such meeting is delivered to all Members entitled to vote on removal of Board Members. Such notice shall state that a purpose of the meeting is to vote upon the removal of one or more Board Members named in the notice. Only the named Board Member or Members may be removed at such meeting. Any vacancy created by such removal shall be filled by a vote of the Board of Directors in accordance with Section 7 of this Article III concerning vacancies on the Board.

Section 6. Director Conflict of Interest.

- (a) If a transaction is fair to the Cooperative at the time it is authorized, approved or ratified, the fact that a director of the Cooperative is directly or indirectly a party to the transaction is not grounds for invalidating the transaction provided all of the details of the transaction and the potential conflict of interest are fully disclosed to the Board of Directors and the Board of Directors has determined that the transaction is fair to the Cooperative. Nevertheless, the Board shall refrain from entering into transactions in which directors are directly or indirectly involved financially unless the transaction is absolutely essential to the betterment or well-being of a majority of the Cooperative's Members.
- (b) In a proceeding contesting the validity of a transaction described in subsection (a), a person asserting validity has the burden of proving any requirements of subparagraph (a) above. The Board may consider:
 - (i) the material facts of the transaction and whether the director's interest or relationship were disclosed or known to the Board of Directors or a committee consisting entirely of the Board or a committee authorized, approved, or ratified the transaction by the affirmative votes of a majority of disinterested directors, even though the disinterested directors be less than a quorum; or
 - (ii) whether the material facts of the transaction and the director's interest or relationship were disclosed or known to the Board's Members entitled to vote and they authorized, approved or ratified the transaction without counting the vote of any Member who is an interested director.

- (c) The presence of the director, who is directly or indirectly a party to the transaction described in subsection (a), or a director who is otherwise not disinterested, may be counted in determining whether a quorum is present but may not be counted when the Board of Directors or a committee of the Board takes action on the transaction.
- (d) For purpose of this Section, a director is "indirectly" a party to a transaction if the other party to the transaction is an entity in which the director has a material financial interest or of which the director is an officer, director or general partner.

Section 7. Vacancies. Any vacancy occurring on the Board of Directors shall be filled by the affirmative vote of a majority of the remaining Board Members for the unexpired portion of the term.

Section 8. Compensation. Board Members shall not receive any salary for their services as such, except that the Board of Directors may by resolution authorize to the directors a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, 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 be granted a reasonable per diem allowance by the Board in lieu of detailed accounting for these expenses. No Board Member 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 the payment and the amount of compensation shall be specifically authorized by a vote of the Board after full disclosure of the terms and conditions of the transaction to the remaining Board Members. The interested Member(s) shall not be allowed to vote on this issue.

ARTICLE IV *Meetings of the Board*

Section 1. Regular Meetings. A regular meeting of the Board shall be held monthly at such time and place within the service area of the Cooperative as designated by the Board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meetings. Special meetings of the Board may be called by the Chairman of the Board or by any three Board Members, and notice of such meeting shall be given as herein provided. The Chairman of the Board or Board Members calling the meeting shall fix the time and place for the holding of the

meeting, which may include, without limitation, a meeting by telephone conference call or other electronic medium.

Section 3. Notice of Board Meetings. Written notice of the time and place of any special meeting of the Board shall be delivered to each Board Member either personally or by mail at least five days prior thereto, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairman of the Board or the Board Member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Board Member at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting. The attendance of a director at any meeting shall constitute a Waiver of Notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened. No special meeting of the directors may take action to remove a director unless written notice of the proposed removal is delivered to all directors at least 20 days prior to such meeting in accordance with the provisions of the general Not-For-Profit Act of 1986 or such amendments thereto as may occur from time to time.

Section 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 Board Members of the time and place of such adjourned meeting. The act of a majority of the Board Members present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws.

ARTICLE V *Officers*

Section 1. Number. The officers of the Cooperative shall be a Chairman of the Board, Vice Chairman of the Board of Directors, a Secretary, a Treasurer, and the President and Chief Executive Officer (CEO) and such other officers 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 2. Election and Term of Office.

- (a) The officers shall be elected annually by and from the Board of Directors at the first meeting of the Board held after the annual meeting of the Membership.

- (b) All Officers except the President/CEO shall be Members of the Board of Directors. The President/CEO shall not be a Member of the Board of Directors.
- (c) Each officer other than the President/CEO shall hold office until the first meeting of the Board following the next succeeding annual meeting of the Membership or until their successors shall have been elected and shall have qualified. The President/CEO shall serve the Cooperative at the pleasure of the Board of Directors or pursuant to a contract of employment.
- (d) Any vacancy in any office, excepting only the President/CEO, shall be filled by the Board for the unexpired portion of the term. The office of President/CEO shall be filled on such terms and conditions as a majority of the Board shall determine.

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

- (a) Any officer 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;
- (b) The officer against whom such charges have been brought shall be informed in writing of the charges at least 20 days prior to the Board meeting at which the charges shall be considered and shall have an opportunity at the meeting to be heard in person or by counsel or both and present evidence in respect of said charges;
- (c) The person or persons bringing the charges against such officer shall have the same opportunity to be heard in person or by counsel or both and to present evidence in respect of the charges;
- (d) Notwithstanding anything to the contrary, any agent or employee of the Cooperative hired by the Board of Directors who is not a Member of the Board of Directors shall be removed in accordance with the terms and conditions of that employee's or agent's terms of employment with the Cooperative; and
- (e) The Board of Directors, shall make all decisions concerning any issues raised under this Article III by a majority vote.

Section 4. Chairman of the Board. The Chairman of the Board shall:

- (a) Be the principal executive officer of the Board of Directors and, unless otherwise determined by the Members of the Board, shall preside at all meetings of the Members and the Board;
- (b) Sign, with the Secretary, certificates of membership, the issuance of which shall have been authorized by the Board or the Members, and may sign 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) Be a Member of the Board of Directors; and
- (d) In general, perform all duties incident to the office of Chairman of the Board and such other duties as may be prescribed by the Board from time to time.

Section 5. Vice Chairman of the Board. In the absence of the Chairman of the Board, or in event of his or her inability or refusal to act, the Vice Chairman of the Board shall perform the duties of the Chairman of the Board, and when so acting shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board. The Vice Chairman of the Board shall also perform such other duties as from time to time may be assigned to him or her by the Board, and/or Chairman of the Board. The Vice Chairman shall be elected from the Members of the Board of Directors.

Section 6. President and Chief Executive Officer (CEO). The Board may appoint a President and CEO who may, but shall not be required to be a Member of the Cooperative. The President and CEO shall not be a Member of the Board of Directors. The President and CEO shall perform such duties and shall exercise such authority as the Board may from time to time vest in **him or her**. In general, the President and CEO shall be responsible for the management of the day-to-day operations of the Cooperative and be responsible to and report directly to the Board concerning all aspects of the Cooperative's business.

Section 7. Secretary. The secretary shall:

- (a) Provide and keep the minutes of the meetings of the Membership and of the Board in books provided for that purpose;

- (b) See that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) Provide for the safekeeping of the corporate books and records and it would be affix the seal of the Cooperative to all certificates of membership prior to the issuance thereof, and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- (d) Keep a register of the names and post office addresses of all Members;
- (e) Sign with the Chairman of the Board, certificates of membership, the issue of which shall have been authorized by the Board or the Members;
- (f) Keep on file at all times a complete copy of the Articles of Incorporation, and Bylaws of the Cooperative containing all amendments thereto (a copy of which shall always be open to the inspection by any Member). At the expense of the Cooperative, furnish a current copy of the Bylaws to any Member upon request;
- (g) Be a Member of the Board of Directors; and
- (h) In general perform 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 8. Treasurer. The Treasurer shall:

- (a) Have custody of all funds and securities of the Cooperative;
- (b) Be responsible for 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) Be a Member of the Board of Directors; and
- (d) Perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board.

Section 9. Delegation of Secretary's and Treasurer's Responsibilities. Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 7 and 8, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's duties to one or more agents, other officers or employees of the Cooperative who are not directors.

To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities and authorities as is consistent with law.

Section 10. Bonds of Officers. 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.

Section 11. Compensation. The powers, duties and compensation of officers, agents or employees appointed by the Board shall be fixed by the Board.

Section 12. Reports. The officers of the Cooperative shall submit at each annual meeting of the Member's 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 VI

Non-Profit and Cooperative Operation

Section 1. Non-Profit and Cooperative Operation. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its Members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by any of its Members.

Section 2. Patronage Capital in Connection with Furnishing Electric Service.

- (a) Patronage. In the furnishing of Electric Service to its Members, the Cooperative's operations shall be conducted so that the Members 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 obliged to account, on a patronage

basis, to all of its Members for all amounts received or receivable from the furnishing of Electric Service in excess of the sum of (1) operating costs and expenses properly chargeable against the furnishing of such Electric Service; and (2) the amounts required to offset any losses incurred during any current or prior fiscal year.

- (b) Capital Credits. Patrons shall furnish and the Cooperative shall receive as capital ("Capital") all funds and amounts received by the Cooperative from Patrons for the Cooperative's provision of an Electric Service that exceed the Cooperative's costs and expenses of providing the Electric Service and amounts required to offset any losses incurred during the current or in the prior fiscal year for providing Electric Services ("Operating Margins"). The Cooperative shall annually allocate to each Patron and pay by a credit to a Capital account for each such Patron, Operating Margins from the Electric Service in proportion to the value or quantity of the Electric Service used, received or purchased by each Patron during the applicable fiscal year ("Capital Credits"). All such amounts credited to the Capital account for any Patron shall have the same status as though such amounts had been paid to the Patron in cash in pursuance of a legal obligation to do so and that the Patron has then furnished the Cooperative a corresponding amount for capital to be used by the Cooperative.
- (c) Operating Margins. All such amounts in excess of operating costs and expenses ("Margins") at the moment of receipt by the Cooperative, are received with the understanding that they are furnished by each Member as capital that the Cooperative is obligated to pay by credits to a capital account for each such Member. The books and records of the Cooperative shall be set up and maintained in such a manner that at the end of each fiscal year, the amount of such Margins, if any, so furnished by each Member, is clearly reflected and credited to an appropriate record for a capital account for each Member. The Cooperative shall, within a reasonable time after the close of the fiscal year and the audit of the Cooperative, notify each Member of the amount of Margins so credited when any such account is so credited. The Board of Directors may notify each Member of any such credit to a Member's capital account by any reasonable means including electronic means. All such Margins credited to the capital account of any Member shall have the same status as though such amounts had been paid to the Member in cash, in pursuance of a legal obligation so that the member has in turn then furnished the Cooperative a corresponding amount for capital to be used by the Cooperative.
- (d) Non-Operating Margins. All amounts received by the Cooperative from its other activities, including, but not limited to investments, rentals, and

other incidental services and capital credits allocated from any organization furnishing services, supplies or products to the Cooperative ("Affiliated Capital Credits"), in excess of the costs and expenses properly chargeable against such activities, shall, insofar as permitted by law, be (1) used to offset any losses incurred during the current or any prior fiscal year, or (2) to the extent not needed for that purpose, retained as permanent capital or allocated as capital credits at the sole discretion of a majority of the Board, among the Membership on a patronage basis. Any amounts so allocated shall be included as a part of the capital credited to the account of the Member, as hereinabove provided.

- (e) Retiring & Refunding Capital Credits. In the event of the dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired, without priority, on a pro-rata basis before any payments are made on account of property rights of the Members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial conditions of Cooperative would not be impaired thereby, then the capital credited to the Members' accounts may be retired in full or in part, from time to time. The Board shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital.
- (f) Assignment. Capital credited to the account of each Member shall be assignable only on the books of the Cooperative, pursuant to written instructions from the assignor, unless the Board, acting under policies of general application, shall determine otherwise.
- (g) Reserves. Notwithstanding any provisions to the contrary contained herein, the Board shall have the authority to establish reserves from operating margins for necessary purposes such as storm damage, extraordinary repair of transmission and/distribution assets or any other cost or expense deemed reasonably appropriate to the operation of the Cooperative. To the extent that reserves are established in any given year, the Cooperative shall maintain the Members' patronage records, so that the Members may be allocated such reserves when they are no longer deemed necessary.
- (h) Classification. The Board may establish, from time to time, reasonable rules and procedures for the allocation of patronage capital among those classes of Members based upon a comparison of the income and expense of furnishing Cooperative Services to each of those respective classes, so that there is appropriately reflected the amount of capital

furnished by each such class of consumer of Cooperative Services so as to accurately reflect the Margins produced by each such class of consumer of a particular type of Cooperative Service.

- (i) Debts. Before retiring or refunding any capital credits of a Member, the Cooperative may deduct from that Member's capital credits, any amounts owed to the Cooperative by that Member or former Member, including any and all reasonable expenses incurred in the attempted collection of such amount, calculated in accordance with ARTICLE I, Sections 14 and 15 of these Bylaws. The Cooperative shall retain and is hereby granted a security interest in the manner allowed by law, in the capital credits of each and every Member to secure the payment by that Member of any amounts due and owing to the Cooperative from time to time, including, without limitation, any late payment fees and expenses of collection, including, without limitation, reasonable attorney's fees and court costs incurred.

ARTICLE VII *Disposition of Property*

Section 1. The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber more than ten percent of its property unless:

- (a) Such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the Members thereof by the affirmative vote of not less than two-thirds of all the Members of the Cooperative; and
- (b) The notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting.

Section 2. Notwithstanding anything to the contrary herein contained, the Board of the Cooperative, , shall have full power and authority to authorize the execution and delivery of the following:

- (a) A mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, more than ten percent of the Cooperative's property, assets, rights, privileges, licenses, franchises and permits, 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 shall determine, to secure any indebtedness of the Cooperative to United States of America, any instrumentality or agency thereof, to a national financing institution that is organized on a Cooperative basis for the purpose of financing its members' programs,

projects and undertakings and in which the Cooperative holds membership; or

- (b) The Board may, following the requisite resolution and notice as set forth in the Illinois General Not-For-Profit Corporation Act of 1986 as the same is in existence from time to time, and upon the authorization of a majority of those Members of the Cooperative in attendance at a meeting called for such purpose, may sell, lease, or otherwise dispose of more than ten percent of the Cooperative's property to another Cooperative doing business in this State; or
- (c) The Board may, following the requisite resolution and notice as set forth in the Illinois General Not-For-Profit Corporation Act of 1986, upon the authorization of two-thirds (2/3) of those Members of the Cooperative present, in person or by proxy, at a meeting to consider the issue, may merge or consolidate with another Cooperative doing business in this State.

ARTICLE VIII

Seal

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

ARTICLE IX

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. Check Signing Authority. 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 and/or countersigned by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

Section 3. Deposits. All funds except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board may select.

Section 4. Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the thirty-first day of December of the same year.

ARTICLE X *Miscellaneous*

Section 1. Membership in Other Organizations. The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the Board at a duly held meeting.

Section 2. Waiver of Notice. Any Member or Board Member may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a Member or Board Member at any meeting shall constitute a waiver of notice of such meeting by such Member or Board Member, except in the case of a Member or Board Member attending 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 3. 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 conduct of the management of the affairs of the Cooperative. A Board Member shall not be permitted to vote by proxy and a majority of the Directors may create one or more committees as provided in the Illinois General Not-For-Profit Act of 1986.

Section 4. Accounting System and Reports. The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulation of any regulatory body, shall conform to such accounting system as may from time to time be designed by the Board. The Board shall also, after the close of each fiscal year, cause to be made by a certified public accountant 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 annual meeting.

Section 5. Area Coverage. The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

Section 6. Indemnification Provision.

- (a) The Cooperative may indemnify any natural person who was or is a party, or is threatened to be made a party to any threatened, pending or contemplated action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Cooperative), by reason of the fact that he or she is or was a Director, Officer, Employee, or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a Director, Officer, Employee or agent of another cooperative, corporation, partnership, joint venture trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that such person did not act in good faith in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.
- (b) The Cooperative may indemnify any natural person who was or is a party, or is threatened to be made a party to any threatened, pending or contemplated action or suit by or in the right of the Cooperative to procure a judgment in its favor by reason of the fact that he or she is or was a Director, Officer, Employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a Director, Officer, Employee or agent of another cooperative, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to the best interests of the Cooperative, and except that no indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Cooperative unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and

reasonably entitled to indemnity for such expenses as the court shall deem proper.

- (c) To the extent that a Director, Officer, Employee or agent of the Cooperative has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in paragraphs (a) and (b), or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him or her in conjunction therewith.
- (d) Any indemnification under paragraphs (a) and (b) (unless ordered by court) shall be made by the Cooperative only as authorized in the specific case, upon a determination that indemnification of the Director, Officer, Employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in paragraphs (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (3) by the Members.
- (e) Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding, as authorized by the Board in the specific case, upon receipt of an undertaking by or on behalf of the Director, Officers, Employee or agent to repay such amount, unless it shall ultimately be determined that he or she is entitled to be indemnified by the Cooperative as authorized in this Section.
- (f) The indemnification provided by this Section shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw agreement, votes of Members or disinterested Directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a natural person who has ceased to be a Director, Officer, Employee or agent, and shall inure to the benefit of the heirs, executors and administration of such person.
- (g) The Cooperative may purchase and maintain insurance on behalf of any natural person who is or was a Director, Officer, Employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a Director, Officer, Employee, or agent of another

cooperative, corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Cooperative would have the power to indemnify him or her against such liability under the provisions of this Section.

- (h) If the Cooperative has paid indemnity or has advanced expenses under this ARTICLE to a Director, Officer, Employee or agent, the Cooperative shall report the indemnification or advance in writing to the Members entitled to vote with or before the notice of the next meeting of the Membership.
- (i) For purposes of this ARTICLE, reference to the "cooperative" shall include, in addition to the surviving cooperative, any merging cooperative absorbed in a merger which, if its separate existence had continued, would have had the power and authority to indemnify its Directors, Officers, Employees or agents. The surviving cooperative shall undertake the obligations of the merging cooperative to indemnify such Directors, Officers, Employees or agents of the merging cooperatives and those persons shall stand in the same position under the provisions of this ARTICLE with respect to the surviving cooperative they would have had with respect to the merging cooperative if the merging cooperative's separate existence had continued.
- (j) For purposes of this ARTICLE, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Cooperative" shall include any service as a Director, Officer, Employee or agent of the Cooperative which imposes duties on, or involves services by such Director, Officer, Employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries. A person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Cooperative" as referred to in this ARTICLE.

ARTICLE XI *Amendments*

- (a) These Bylaws may be altered, amended or repealed by the Members at any regular or special meeting of the Members, provided the notice

of such meeting shall have contained a copy of the proposed alteration, amendment or repeal of the Bylaw in question.

- (b) The Board or ten percent (10%) of the Members may sponsor or propose a Bylaw amendment. The Board may propose an amendment to the Bylaws by a majority vote of the Directors present at the Board Meeting at which such Bylaw amendment is recommended. The Membership may sponsor a Bylaw amendment by a petition filed by at least ten percent (10%) of the Members of the Cooperative with the Board. Upon the receipt of such petition from the Members, the Board shall place the amendment sponsored by the Members before the Membership at a meeting of the Members occurring within 90 days from the date the petition is filed with the Board. If there be no regular or annual meeting scheduled within said time period, the Board shall cause to be scheduled a Special Meeting of the Membership and send notice to each of the Members entitled to vote thereon in accordance with the provisions of these Bylaws and the General Not-For-Profit Corporation Act of 1986 of the State of Illinois.
- (c) Except as otherwise provided in ARTICLE VII with regard to the sale of the Cooperative's assets, an amendment to the Bylaws shall be deemed passed by the Membership upon the approval of the Bylaw amendment by a majority of the Members present and entitled to vote at the Membership meeting at which the amendment is to be considered. Upon approval by the Membership, the Bylaw shall become immediately effective, unless otherwise provided in the resolution approving such amendment.
- (d) In the event the Board shall ever adopt Membership Classes, then no Membership Classes' rights, privileges, preferences, restrictions or conditions regarding voting, dissolution, redemption, allocation of Capital Credits, or membership transfers (collectively "Class Members' Rights") shall be treated any differently than any other Membership Classes' rights unless such difference be approved by a majority of the particular Member Class affected who are present and voting on such issue when any such Bylaw amendment is adopted.
- (e) Notwithstanding the foregoing, the Board, subject to approval by not less than a majority of the Board present and voting on the proposal, may adopt emergency Bylaws subject to repeal or change by action of the Members, which, to the extent therein provided and notwithstanding any different provisions elsewhere in the general Illinois General Not-For-Profit Corporation Act or in the Articles of Incorporation or Bylaws, shall be operative upon (a) a declaration of a

civil defense emergency by the President of the United States or by concurrent resolution of the Congress of the United States pursuant to Title 50, Appendix, Sec. 2291 of the United States Code or any amendments thereof, or (b) upon a proclamation of a civil defense emergency by the Governor of the State of Illinois which relates to an attack or imminent attack on the United States or any of its possessions. Such emergency Bylaws shall cease to be effective and shall be suspended upon any proclamation by the President of the United States, or the passage by the Congress of a concurrent resolution, or any declaration by the Governor of Illinois that such civil defense emergency no longer exists.