

# **STEUBEN RURAL ELECTRIC COOPERATIVE**

**Bath, New York**

## **Bylaws**

Revised: October 2017



A Touchstone Energy® Cooperative 

**ARTICLE I  
MEMBERSHIP**

**Section 1.  
Requirements for Membership**

Any person firm, association, corporation or body politic or subdivision thereof may become a member in Steuben Rural Electric Cooperative, Inc. (hereinafter called the "Cooperative") by:

- A. Filing a written application for membership therein;
- B. Agreeing to purchase from the Cooperative electric energy as hereinafter specified;
- C. Agreeing to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any Rules and Regulations adopted by the Board of Directors; and
- D. Paying the membership fee hereinafter specified.

No member may hold more than one (1) membership in the Cooperative, and no membership in the Cooperative shall be transferable.

**Section 2.  
Membership Certificates**

Membership in the Cooperative shall be evidenced by a membership certificate, which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors. Such certificate shall be signed by the President and by the Secretary of the Cooperative, and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these Bylaws nor until such membership fee has been fully paid for in cash. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe.

**Section 3.  
Joint Membership**

Persons may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include persons, corporation or partnership; holding a joint membership and any provision 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 to the holders of a joint membership shall be as follows:

- A. The presence at a meeting of any or all shall be regarded as the presence of one (1) member and shall have the effect of revoking a proxy executed by any or all and of constituting a joint waiver of notice of the meeting.
- B. The vote of any one separately or all jointly shall constitute one (1) proxy;
- C. A proxy executed by any or all shall constitute one (1) proxy;
- D. A waiver or notice signed by any or all shall constitute a waiver;
- E. Notice to any or all shall constitute notice to all;
- F. Withdrawal of any or all shall terminate the joint membership;
- G. Anyone but not all may be elected or appointed as an officer or director, provided the member meets the qualifications for such office.

**Section 4.  
Conversion Membership**

- A. A membership may be converted to a joint membership upon written request of the holder thereof and the agreement by such holder and other parties of the membership to comply with the Articles of Incorporation, Bylaws, and Rules and Regulations adopted by the Board of Directors. The outstanding membership certificate shall be surrendered and reissued by the Cooperative in such manner as to indicate the changed membership status.

B. Upon the death of any of the members who are a party to the joint membership such membership shall be held solely by the survivor or survivors. The outstanding membership certificate shall be surrendered and reissued in such manner to indicate the changed membership status provided, however that the estate of the deceased shall not be released from any debts due the Cooperative. Upon the divorce or separation by contract or court order of persons holding a joint membership, whether legal otherwise, said joint membership shall terminate and convert to a single membership held by the party with the custody or ownership of the property serviced by the Cooperative upon receipt of a Membership Conversion form signed by each party.

**Section 5.**  
**Membership and Service Connection Fees**

The membership fee shall be twenty-five dollars (\$25.00), upon payment of which a member shall be eligible for service.

**Section 6.**  
**Purchase of Electric Energy**

Each member shall purchase from the Cooperative all electric energy used on the premises specified in his application for membership. It is expressly understood that amounts paid for electric energy in excess of costs of service are furnished by members as capital, and each member shall be credited with capital so furnished as provided in these Bylaws.

**Section 7.**  
**Termination of Membership**

Any member may withdraw from membership upon compliance with such uniform terms and conditions such as the Board of Directors may prescribe. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of all the directors, expel any member who has failed to comply with any of the provisions of the Articles of Incorporation, Bylaws, or Rules and Regulations adopted by the Board of Directors, but only if such members have been given written notice by the Cooperative that such refusal or failure makes them liable to expulsion and such refusal or failure shall have continued for at least ten (10) days after such notice was given.

Any expelled member may be reinstated by vote of any of the members at any annual meeting.

Upon withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

**ARTICLE II**  
**RIGHTS AND LIABILITIES OF MEMBERS**

**Section 1.**  
**Property Interest of Members**

Upon dissolution, after (a) all debts and liabilities of the Cooperative have been paid and (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten (10) years preceding the date of the filing of the certificate of dissolution.

**Section 2.**  
**Nonliability for Debts of the Cooperative**

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

**Section 3.**  
**Rights-of-Way Across Member Properties**

Each member shall grant to the Cooperative an easement of right-of-way across the member's property, in a location to be agreed upon in advance between the member and the Cooperative, for the purposes of erection, maintenance and replacement of electric transmission and distribution lines.

**ARTICLE III**  
**MEETINGS OF MEMBERS**

**Section 1.**  
**Annual Meeting**

The annual meeting or meetings of the members shall be held within the Cooperative fiscal year at such dates and places in the State of New York as shall be designated in the notice of the meeting or meetings for the purpose of electing directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting or meetings. 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 resolution of the Board of Directors, upon a written request signed by any three (3) Directors, by the President, or by ten percent (10%) or more of all the members; and it shall thereupon be the duty of the Cooperative to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the State of New York, 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 purpose or purposes for which the meeting is called shall be delivered to each member not less than ten (10) days nor more than forty-five (45) 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 person calling the meeting. If mailed, such notice shall be deemed to be delivered to the members at their address as it appears on the records of the Cooperative, with postage thereupon prepaid. The failure of any member to receive notice of annual or special meetings of the members shall not invalidate any action which may be taken by the members at any such meeting.

**Section 4.**  
**Quorum**

As long as the total number of members does not exceed five hundred (500), ten percent (10%) of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed five hundred (500), fifty (50) members 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, provided the Cooperative shall notify absent members of the time and place of such adjourned meeting.

**Section 5.**  
**Voting**

Each member shall be entitled to one (1) vote. All questions shall be decided by a vote of the majority of the members voting thereon in person or by proxy.

**Section 6.  
Proxies**

A member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Cooperative before or at the time of the meeting. No proxy shall be valid after sixty (60) days from the date of its execution. No proxy shall be valid 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. A member may give his proxy only to another member, and no person may hold more than one (1) proxy at any meeting. The presence of a member at a meeting shall revoke a proxy theretofore executed by him, and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy.

**Section 7.  
Order of Business**

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

- A. Report as to which members are present in person and which members are represented by proxy in order to determine the existence of a quorum;
- B. Reading of the notice of the meeting and proof of the due publication and mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be;
- C. Reading of unapproved minutes of previous meetings of the members and taking of necessary action thereon;
- D. Presentation and consideration of reports of officers, directors and committees;
- E. Election of directors;
- F. Unfinished business;
- G. New business;
- H. Adjournment.

**ARTICLE IV  
DIRECTORS**

**Section 1.  
General Powers**

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

**Section 2.  
Qualification and Tenure**

The persons named as directors in the Articles of Conversion shall compose the Board of Directors until the first annual meeting or until their successors have been elected and shall have qualified. At the annual meeting of the members held in the year 2009, the following directors shall be elected to represent the respective districts as described in Article IV Section 7: District 5, District 7 and District 8. Thereafter, the directors duly elected at the 2009 annual meeting shall hold such office until the third succeeding annual meeting, at which time said directors' offices shall be filled again by way of election as provided herein. The remaining newly established Districts shall be represented by the director duly holding such office in the following identified Districts until such office is subject to election as provided herein:

Newly Established District 1 shall be represented by the Director duly holding office in regard to the previously existing District 7. Newly Established District 2 shall be represented by the Director duly holding office in regard to the previously existing District 2. Newly Established District 3 shall be represented by the Director duly holding office in regard to the previously existing District 5. Newly Established District 4 shall be represented by the Director duly holding office in regard to the previously existing District 4. Newly Established District 5 shall be represented by the Director duly holding office in regard to the previously existing District 8. Newly Established District 6 shall be represented by the Director duly holding office in regard to the previously existing District 6. Newly Established District 7 shall be represented by the Director duly holding office in regard to the previously existing District 9. Newly Established District 8 shall be represented by the Director duly holding office in regard to the previously existing District 10. Newly Established District 9 shall be represented by the Director duly holding office in regard to the previously existing District 11.

At the annual meeting of the members held in the year 2010, the following directors shall be elected to represent the respective districts as described in Article IV Section 7: District 1; District 2; and District 9. Thereafter, the directors duly elected at the 2010 annual meeting for the districts referenced above shall hold such office until the third succeeding annual meeting, at which time said directors' offices shall be filled again by way of election as provided herein.

At the annual meeting of the members held in the year 2011, the following directors shall be elected to represent the respective districts as described in Article IV Section 7: District 3, District 4, and District 6. Thereafter, the directors duly elected at the 2011 annual meeting for the district referenced above shall hold such office until the third succeeding annual meeting, at which time said directors' offices shall be filled again by way of election as provided herein.

At each annual meeting held subsequent to the annual meeting of 2011, election of directors for whose terms expire as provided above shall be held. The directors duly elected to represent such districts shall hold such office until the third succeeding annual meeting thereafter, at which time subsequent elections for such offices shall be held.

If the election of directors shall not be held on the day designated herein for the annual meeting or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be.

Directors shall be elected by ballot at each annual meeting of the members, by and from the members, to serve until the third succeeding annual meeting of the members or until their successor shall have been elected and shall have qualified. No person shall be eligible to become or remain a director or to hold any position of trust in the Cooperative who:

- A. Is not a member and domiciliary of the district within the Cooperative for which the director was elected to serve;
- B. Is in any way employed by or financially interested in a competing enterprise or a business selling electric energy, equipment or supplies to the Cooperative; or
- C. Is an employee of the Cooperative or has been an employee of the Cooperative within five (5) years from the date of the annual meeting at which the nomination will come to a vote;
- D. Is unable to read, write and speak in the English language;
- E. Is not able to legally enter contracts;
- F. Is a convicted felon;
- G. Who has had bills owed to the Cooperative delinquent for more than ninety (90) days within the past two (2) years.

Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions, it shall immediately become incumbent upon the Board of Directors to remove such director from office. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

### **Section 3. Nominations**

It shall be the duty of the Board of Directors to appoint, not less than forty-five (45) days nor more than one hundred twenty (120) days before the date of the meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than nine (9) members who shall be selected from different sections of the project area so as to insure equitable representation. No member of the Board of Directors or any relative of a director may serve on such committee. The committee, to provide equitable representation, shall prepare and post at the principle office of the Cooperative, at least twenty (20) days before the meeting a list of nominations for directors. The committee shall make a prudent effort to nominate at least two (2) nominees from each district of the Cooperative scheduled for election. In the event that less than two (2) nominees are nominated by the committee, the committee shall certify to the Board of Directors that a diligent search was made for candidates and that less than two (2) persons were found who were willing to be nominated for the position of director from that district. Any fifteen (15) or more members acting together may make other nominations by petition not less than fifteen (15) days prior to the meeting, and the Cooperative shall post such nominations, under the direction of the Secretary of the Board of Directors, at the same place where the list of nominations made by the committee is posted. Under the direction of the Secretary of the Board of Directors, the Cooperative shall mail with the notice of the meeting or separately, but at least seven (7) days before the date of the meeting, a statement of the number of directors to be elected and the names and addresses of the candidates specifying separately the nominations made by petition, if any. Nothing contained herein shall, however, prevent additional nominations from the floor at the meeting of the members. Additional nominations made by petition or from the floor shall be for the respective districts scheduled for election. The nominee in each district receiving the highest number of votes cast shall be deemed elected to the Board of Directors.

### **Section 4. Removal of Directors by Members**

Any member may bring charges against a Director by filing such charges in writing with the Secretary of the Board of Directors, together with a petition signed by at least ten percent (10%) of the members and request the removal of such director by reason thereof. Upon receipt of such a petition and request, the Board of Directors shall provide notice of the petition to the affected Board Member, as provided herein, and shall provide for a prompt submission of the petition to a meeting of the Cooperative Membership. In the event that the petition is received within one hundred twenty (120) days of a scheduled meeting of the members of the Cooperative, the issue shall be presented at that scheduled meeting. If the petition and request are received more than one hundred twenty (120) days prior to any scheduled meeting of the membership, the Board of Directors shall call a Special Meeting of the membership to consider the issues contained in the petition. Notice of the Special Meeting shall be mailed by the Cooperative to the membership within thirty (30) days following receipt of the petition and request. The meeting shall be held and conducted pursuant to Cooperative policies regarding membership meetings. The director against whom such charges have been brought shall be informed in writing of the charges at least thirty (30) days prior to the meeting at which the charges are to be considered and shall have an opportunity at that meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him or her shall have the same opportunity. The question of removal of such director shall be considered and voted upon at that meeting. Any vacancy created by such removal shall be filled pursuant to the terms of these Bylaws, specifically Article IV, Section 5.

### **Section 5. Vacancies**

A vacancy occurring in the Board of Directors may be filled as follows: The Board of Directors may either appoint an individual to fill a vacancy by the affirmative vote of a majority of the remaining directors; or the Board may abstain from filling the vacancy. In the event that the Board abstains from filling the vacancy, the unexpired term of the vacant position shall be submitted for nominations in due course and election at the next annual meeting. In the event that the Board wishes to appoint an individual to fill the vacancy, the Board shall first convene the nominating committee to recommend candidates for consideration of appointment. The Board must appoint an individual from the list of candidates recommended by the nominating committee. Any appointment made by the Board shall be only until the next nominating and election cycle. The unexpired term of the formerly vacant position shall be filled by election at the next annual meeting following the Board appointment.

**Section 6.  
Compensation**

Board members shall not receive any salary for their services as such, except that the Board may be resolution authorize a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, Board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of their expenses. No board member shall receive compensation for serving the Cooperative in any other capacity.

**Section 7.  
Director Districts**

At the annual meeting of the members beginning with the year 2009, one (1) director shall be designated to represent each of the following districts:

District 1

Wayland, Cohocton, Fremont, Avoca, Hornellsville, Hartsville,  
Greenwood, West Union

District 2

Howard, Cameron

District 3

Urbana, Wayne, Orange, Bradford, Hornby

District 4

Bath

District 5

Canisteo, Jasper, Troupsburg, Woodhull

District 6

Thurston, Campbell, Rathbone

District 7

Addison, Erwin, Corning, Tuscarora, Lindley

District 8

Cattaraugus County

District 9

Chautauqua County

The director elected to represent a specific district shall be a domiciliary of that district.

**ARTICLE V  
MEETING OF DIRECTORS**

**Section 1.  
Regular Meetings**

A regular meeting of the Board of Directors shall be held monthly, or on a more frequent basis as determined by the Board of Directors at such time and place in the State of New York, as the Board of Directors may provide by resolution. Such regular monthly meeting(s) may be held without notice other than such resolution fixing the time and place thereof.

The organizational meeting shall be held at the first regularly scheduled meeting immediately following the annual meeting of the members.



**Section 2.  
Special Meetings**

Special meetings of the Board of Directors may be called by the President or by any three (3) directors, and it shall thereupon be the duty of the Cooperative, under the direction of the Secretary of the Board of Directors, to cause notice of such meeting to be given as hereinafter provided. The President or the directors calling the meeting shall fix the time and place in the State of New York for the meeting.

**Section 3.  
Notice of Directors' Meeting**

Written notice of the time, place and purpose of any special meeting of the Board of Directors shall be delivered to each director not less than five (5) days previous thereto, either personally or by mail, by or at the direction of the Secretary of the Board of Directors, or upon a default in duty by the Secretary of the directors, by the President or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Cooperative with postage thereon paid.

**Section 4.  
Quorum**

A majority of the Board of Directors shall constitute a quorum. In the absence of a quorum, a majority of the Directors present may adjourn the meeting. The Cooperative, under the direction of the Secretary of the Board of Directors, shall notify any absent directors of the time and place of such adjourned meeting.

**ARTICLE VI  
OFFICERS**

**Section 1.  
Officers**

The officers of the Cooperative shall be President, Vice President, Secretary, Treasurer and such officers as may be determined by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person.

**Section 2.  
Election and Term of Office**

The officers shall be elected annually by and from the Board of Directors at the first regularly scheduled or special meeting of the Board of Directors after the annual meeting. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term.

**Section 3.  
Removal of Officers and Agents by Directors**

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. In addition, any member of the Cooperative may bring charges against an officer by filing such charges in writing with the Secretary, together with a petition signed by ten percent (10%) of the members (or 300, whichever is lesser) and request removal of the particular officer by reason thereof. The officer against whom such charges have been brought shall be informed in writing of the charges at least five (5) days prior to the meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of charges; and the person or persons bringing the charges against him shall have the same opportunity. The questions of removal of such officer shall be considered and voted upon at the next regular or special meeting of the members.

**Section 4.  
President**

The President shall:

- A. Be the principal executive officer of the cooperative and, unless otherwise determined by the members of the Board of Directors, shall preside at all meetings of the members and the Board of Directors;
- B. Sign with the Secretary of the Board of Directors, certificates of membership, the issue of which shall have been authorized by the Board of Directors or the members and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- C. In general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors;

**Section 5.  
Vice President**

The Vice President shall:

- A. Perform the duties of the President in his absence or in the event of his inability or refusal to act; and
- B. Perform such other duties as may be assigned to him by the Board of Directors.

**Section 6.  
Secretary**

The Secretary shall:

- A. Keep the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose;
- B. See that all notices are duly given in accordance with these Bylaws or as required by law;
- C. Be custodian of the corporate records of the Cooperative and affix the seal of the Cooperative to all certificates of membership prior to the issue thereof and to all documents, the execution 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 President, certificates of membership, the issue of which shall have been authorized by the Board of Directors 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, which copy shall always be open to the inspection of any member upon request; and at the expense of the Cooperative, forward a copy of the Bylaws and of all amendments thereto to each member; and
- G. In general, perform all duties incident to the office of Secretary and such other duties as may be assigned to him by the Board of Directors.

**Section 7.  
Treasurer**

The Treasurer shall:

- A. Be responsible for all funds and securities of the Cooperative; and
- B. In general, perform all duties incident to the office of Treasurer and such other duties as may be assigned to him by the Board of Directors.

**Section 8.  
Manager**

The Board of Directors shall appoint a Manager who may be, but shall not be required to be, a member of the Cooperative. The Manager shall perform such duties and shall exercise such authority as the Board of Directors shall vest in him.

**Section 9.  
Bonds of Officers**

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

**Section 10.  
Compensation**

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

**Section 11.  
Reports**

The officers of the Cooperative shall submit at each annual meeting of the members' reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

**ARTICLE VII  
CAPITAL**

**Section 1.  
Definitions**

As used in this article,

- A. "Capital Credit" shall mean an amount credited to a Patron's account on the Cooperative's books and records as capital contributed by such Patron in accordance with this Article.
- B. "Good or Service" shall mean the provision of electric energy and related distribution goods and services, as well as the provision of other utility type goods and services all on a cooperative basis to Patrons to the extent that the income derived from providing such other goods and services would be exempt from federal income taxation if received by an organization qualifying for exemption under Section 501(c) (12) of the Internal Revenue Code.
- C. "Nonpatronage Earnings" shall mean, for any fiscal year, with respect to any activities other than the provision of Goods or Services, the amount by which the Cooperative's revenues, income, or gains from and directly related to such activities exceeds any expenses and losses associated with such activities, all as determined by the Board of Directors consistent with federal tax law.
- D. "Nonpatronage Loss" shall mean, for any fiscal year, with respect to any activities other than the provision of a Goods or Services, the amount by which expenses and losses associated with such activities exceeds the revenues, income, or gains derived from such activities, all as determined by the Board of Directors consistent with federal tax law.
- E. "Patron" shall mean any member or non-member of the Cooperative to whom the Cooperative furnishes any Good or Service pursuant to Board resolutions, Board policies, or contract.
- F. "Patronage" shall mean the quantity or value of Goods or Services used by a Patron during the fiscal year. An allocation "on the basis of Patronage" shall mean an allocation based the quantity or value of Goods or Services provided to a Patron during the fiscal year relative to the quantity or value of all Goods or Services provided to all Patrons during the fiscal year.

- G. "Patronage Earnings" shall mean, for any fiscal year, with respect to any Good or Service, the amount by which the Cooperative's revenues, income, or gains from and directly related to providing such Good or Service exceeds any expenses and losses associated with providing such Good or Service, all as determined by the Board of Directors consistent with federal tax law. Such associated costs include, by way of example and without limitation, reasonable reserves as described in this Article.
- H. "Patronage Loss" shall mean, for any fiscal year, with respect to any Good or Service, the amount by which expenses and losses associated with providing such Good or Service, exceed the revenue, income, or gain from and directly related to providing such Good or Service, all as determined by the Board of Directors consistent with federal tax law.

## **Section 2. Nonprofit and Cooperative Operation**

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. Allocation of Capital Credits**

If the Cooperative has Patronage Earnings with respect to any fiscal year, the Cooperative shall equitably allocate such Patronage Earnings among its Patrons on the basis of Patronage as Capital Credits in accordance with this Section. If the Cooperative incurs a Patronage Loss with respect to any fiscal year, the Board of Directors shall prescribe the manner in which such Patronage Loss shall be accounted for on the Cooperative's books and records, including any related adjustments to Capital Credits, provided that such authority must be exercised in a manner consistent with accepted accounting practices, any applicable loan or other contractual covenants, and applicable federal tax laws.

If the Cooperative has Nonpatronage Earnings with respect to any fiscal year, the Cooperative may use, retain, or equitably allocate as Capital Credits among its Patrons on the basis of Patronage such Nonpatronage Earnings, as determined by the Cooperative's Board of Directors. Notwithstanding any other provisions of these bylaws, by way of example and without limitation, Nonpatronage Earnings may be used to offset any current or prior Patronage or Nonpatronage Losses.

If the Cooperative incurs a Nonpatronage Loss with respect to any fiscal year, the Board of Directors shall prescribe the manner in which such Nonpatronage Loss shall be accounted for on the Cooperative's books and records, including any related adjustments to Capital Credits, provided that such authority must be exercised in a manner consistent with accepted accounting practice, any applicable loan or other contractual covenants, and applicable federal tax laws. Notwithstanding any other provisions of these bylaws, by way of example and without limitation, the Cooperative may offset any Nonpatronage Losses with its unallocated and retained equity or with Patronage Earnings with respect to the fiscal year which would otherwise be allocable as Capital Credits.

For each amount allocated to a Patron as a Capital Credit under this Section, such Patron shall be deemed to contribute a corresponding amount to the Cooperative as capital at the moment of receipt by the Cooperative. The Cooperative shall credit such capital contribution to a capital account for the Patron. The Cooperative shall maintain books and records reflecting the capital contributed by each Patron. At the time of receipt by the Cooperative, the amount of each capital contribution will be treated as though the Cooperative paid such amount to the Patron in cash pursuant to a pre-existing legal obligation and the Patron then contributed the corresponding amount to the Cooperative as capital.

Consistent with this bylaw, the Board of Directors shall determine the manner, method, and timing of allocating Capital Credits. As reasonable and fair, the Cooperative may allocate Capital Credits to classes of similarly situated Patrons under different manners, methods, and timing, provided the Cooperative allocates Capital Credits to similarly situated Patrons (within any such class as determined by the Board of Directors) under the same manner, method, and timing.

Upon the Cooperative receiving written notice and sufficient proof of the death of a party in a joint membership, the Cooperative shall assign and transfer to the surviving party the Capital Credits previously allocated, or to be allocated, to the joint membership.

Upon notification of the dissolution of marriage or separation between parties in a joint-membership, capital credits allocated to the joint membership and any amounts owed to the Cooperative shall remain in the name of both parties until otherwise instructed by a court or administrative body of competent jurisdiction.

#### **Section 4. Retirement of Capital Credits**

At any time before the Cooperative's dissolution, liquidation, or other cessation of existence, the Cooperative may retire and pay some or all Capital Credits to its Patrons to whom such Capital Credits are then allocated on the books and records of the Cooperative.

The Cooperative may retire and pay Capital Credits only if the Board of Directors determines that the retirement and payment will not adversely impact the Cooperative's financial condition. Consistent with this bylaw, the retirement and payment of Capital Credits are in the discretion of the Board of Directors and the Board of Directors shall determine the manner, method, and timing of retiring and paying Capital Credits. As reasonable and fair, the Cooperative may retire and pay Capital Credits to classes of similarly situated Patrons, current and former, under different manners, methods, and timing, provided the Cooperative retires and pays Capital Credits to similarly situated Patrons (within any such class as determined by the Board of Directors), current and former, under the same manner, method, and timing. Such manner, method, and timing of retirement and payment, if any, determined by the Board may include the retirement and payment of Capital Credits on a discounted and net present value basis.

Upon the death of a current or former individual Patron, upon receiving a written request from the deceased individual's legal representative, the Cooperative may authorize an accelerated special retirement of some or all Capital Credits allocated to the Patron or former Patron. This special retirement is subject to terms and conditions established by the Board of Directors and shall be paid at the net present value of the retired Capital Credits. Criteria in determining the net present value of the retired Capital Credits shall be established in accordance with the policies and procedures set forth by the Board of Directors. Such criteria shall be provided to a representative of the deceased individual.

After retiring Capital Credits of a current or former Patron, the Cooperative may recoup, offset, or setoff any amount owed to the Cooperative by such current or former Patron, including any compounded interest and late payment fee, by reducing the amount of retired Capital Credits payable to the current or former Patron by the amount owed.

Retired Capital Credits, which have not been claimed by the respective current or former Patron shall constitute an irrevocable assignment and contribution to the Cooperative, after reasonable effort to locate said current or former Patron. The assignment and contribution shall be added to the Cooperative's donated capital and net savings subject to the property rights of members. Mailing of a check or notice of the availability of a check to the last known address of a patron by first class mail and publication of the list of Patrons or former Patrons having unclaimed Capital Credits on the website and/or newsletter of the Cooperative for a period of three years shall be deemed reasonable effort to locate said Patron or former Patron.

Capital Credits shall be assigned only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in occupancy in all or part of such Patrons' premises served by the Cooperative, unless the Board of Directors, acting under policies of general application shall determine otherwise.

Subject to the right to offset, setoff, and recoupment for any amounts owed the Cooperative, current and former Patrons may at any time irrevocably assign and contribute their unretired Capital Credits balance to the Cooperative as a contribution to capital and net savings. Such irrevocable assignment and contribution of capital shall not be allocated to the Patrons and is distributable only upon dissolution of the Cooperative. The Board of Directors is authorized, but not required, to negotiate capital credit retirement agreements with estates of deceased individuals, and/or former Patrons.

**Section 5.  
Reasonable Reserves**

Notwithstanding other provisions of these bylaws and to meet the reasonable needs of the Cooperative, the Cooperative may accumulate and retain amounts exceeding those needed to meet current losses and expense (“Reasonable Reserves”).

**Section 6.  
Dissolution or Liquidation.**

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, unretired Capital Credits shall be retired and paid without priority on a pro rata basis before any payments are made on account of property rights of members.

**Section 7.  
Patron Agreement.**

The Patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the 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**

The Board of Directors of the Cooperative shall have full power and authority, without authorization by the members thereof, to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust 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 indebtedness of the Cooperative to any party, except that the Cooperative may not otherwise sell, lease, convey or otherwise dispose of or encumber all or a substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized by the affirmative vote of two-thirds (2/3) of those members of the Cooperative. Any such sale or recommendation by the Board of Directors for such sale of all or a substantial portion of Cooperative assets must be for fair market value as determined by one or more appraisals performed by a qualified appraiser.

**ARTICLE IX  
SEAL**

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words “Corporate Seal, New York”.

**ARTICLE X  
FINANCIAL TRANSACTIONS**

**Section 1.  
Contracts**

Except as otherwise provided in these Bylaws, the Board of Directors 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.**

Except as otherwise provided by law or in these Bylaws, all checks, drafts or other orders for 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, officers, agent or agents, employee or employees of the Cooperative and in such manner as shall be determined by resolution of the Board of Directors.

**Section 3.  
Deposits**

All funds of the Cooperative, except petty cash, shall be deposited to the credit of the Cooperative in such bank or banks as the Board of Directors may select.

**Section 4.  
Change in Rates**

Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy become effective.

**Section 5.  
Fiscal Year**

The fiscal year of the Cooperative shall begin the first (1st) day of January of each year and end the thirty-first (31st) day of December of the same year.

**ARTICLE XI  
MISCELLANEOUS**

**Section 1.  
Membership in Other Organizations**

The Board of Directors by resolution may authorize the Cooperative to become a member of other cooperatives or corporations or to own stock therein for the purpose of engaging in or supporting rural electrification.

**Section 2.  
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 because the meeting shall not have been lawfully called or convened.

**Section 3.  
Rules and Regulations**

The Board of Directors shall have the power to make and adopt such Rules and Regulations and policies not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable to the management, administration and regulation of the business and affairs of the Cooperative.

**Section 4.  
Accounting System and Reports**

The Board of Directors shall cause to be established and maintained a complete accounting system which shall conform so long as the Cooperative is indebted to the Government or any agency or instrumentality thereof, to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The Board of Directors shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the annual meeting next following the close of such fiscal year. Such audit report shall be submitted by a Certified Public Accountant.

**Section 5.  
Indemnification of Officers, Directors,  
Staff Employees and Agents**

The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than an action by, or in the right of, the Cooperative) by reason of the fact that such person is or was a director, officer, staff employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, staff employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including all costs of defense), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person 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 the conduct of such person 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 the person did not act in good faith and in a manner which such person 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 the conduct of such person was unlawful.

To the extent that a director, officer, staff 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 Paragraph 1, (and in addition, actions by or in the right of, the Cooperative) of any claim, issue or matter therein, such person shall be indemnified against expenses (including all costs of defense) actually and reasonably incurred by such person in connection therewith.

The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, staff employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, staff employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of the status of such person as such, whether or not the cooperative would have the power to indemnify such person against such liability under the provision of these Bylaws.

**ARTICLE XI  
MISCELLANEOUS**

These Bylaws may be altered, amended or repealed by the members at any regular or special meeting provided that notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.