

Bylaws of Redwood Electric Cooperative

ARTICLE I MEMBERSHIP

SECTION 1. REQUIREMENTS FOR MEMBERSHIP. Any natural person, firm, association, corporation, business, partnership, limited liability company, state, state agency or state political subdivision, the United States of America or any federal agency or federal political subdivision or other body politic (collectively 'person') or subdivision thereof may become a member of REDWOOD ELECTRIC COOPERATIVE hereinafter called the "Cooperative" by:

- (a) Making 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) Such membership shall be issued in the name of a single individual, firm, association, partnership, corporation, or body politic or subdivision thereof; provided, however, that no person, firm, association, partnership, corporation or body politic or subdivision thereof shall become a member unless and until he or it has been accepted for membership by the Board of Directors. 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.

SECTION 2. SERVICE FEES. A fee for each service connection and each service disconnection may be charged by the Cooperative in accordance with the policies established by the Board of Directors.

SECTION 3. PURCHASE OF ELECTRIC ENERGY. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in member's application for membership, and shall pay therefore monthly at rates which shall from time to time be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these bylaws. Regardless of the amount of electric energy consumed, each member shall pay to the Cooperative at least the minimum amount per month as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by member to the Cooperative as and when the same shall become due and payable.

SECTION 4. TERMINATION OF MEMBERSHIP.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions 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 fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules or regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Secretary of the Cooperative that such failure makes member liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by vote of the Board of Directors when all obligations to the Cooperative have been fulfilled. The membership of a member who for a period of six (6) months after service is available to member, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, shall be cancelled by the Board of Directors.
- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or member's estate from any debts due the Cooperative.

SECTION 5. NON-LIABILITY FOR DEBTS OF THE COOPERATIVE. The property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE II
MEETING OF MEMBERS

SECTION 1. ANNUAL MEETING. The annual meeting of the members shall be held between January 1 and December 31 of each year, hereafter, at such time and place in the service area of the Cooperative, as shall be determined by the Board of Directors. The Board of Directors may, from time to time in its sole discretion, determine that it is in the best interest of members to allow or require members to participate in an annual meeting by telephonic or electronic media which permits members not physically present at the meeting to hear, be heard, and participate in the business brought before the members during the course of the meeting. The annual meeting of the members shall be held for the purpose of electing directors, passing upon reports for the previous fiscal year or periods since the preceding annual meeting of the members, and for transacting such other business as may come before the meeting. Notice stating the place, day and hour of such meeting and the purpose of such a meeting, when business requiring special notice is to be transacted, shall be given by the Secretary as hereinafter

provided. It shall be the responsibility of the Board of Directors 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 and shall not invalidate any action taken by the Cooperative thereafter.

SECTION 2. SPECIAL MEETINGS. Special meetings of the members may be called by a majority vote of the directors of the Cooperative or upon the written petition of at least twenty percent (20%) of the members, in which case it shall be the duty of the President of the Cooperative to cause such notice to be given, as hereinafter provided. Such special meeting shall be held in the County of Redwood, State of Minnesota, at the place designated in the notice thereof. The notice shall state the time, place and purpose of the special meeting and shall be issued within ten (10) days from and after the date of the presentation of such petition and such special meeting shall be held within thirty (30) days from and after the date of the presentation of the petition.

SECTION 3. NOTICE OF MEMBERS' MEETING. Notice of any meeting of members shall be written or printed and, shall be delivered not less than fifteen (15) days before the date of the meeting, either personally or by mail to each and every member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. QUORUM. At least ten percent (10%) of the total number of members in the Cooperative when the number of members in the Cooperative does not exceed five hundred (500) shall constitute a quorum for the transaction of business at all meetings of the members. In case the total number of members exceeds five hundred (500), not less than fifty (50) persons shall constitute a quorum for the transaction of business at all meetings of the members.

SECTION 5. ESTABLISHMENT OF A QUORUM. The attendance of a sufficient number of members to constitute a quorum at any meeting of the members shall be established by registration of the members present at such meeting, or represented by timely submitted written ballot, electronic ballot, or by written proxy, or by members participating in a virtual meeting providing that members are able to directly participate and be identified. Establishment of a quorum shall be verified by the President and Secretary and shall be part of the minutes of such meeting. In the event a quorum is not established, a majority of members in attendance may adjourn the meeting from time to time without further notice.

SECTION 6. VOTING. Each member shall be entitled to one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by law,

the Articles of Incorporation or these Bylaws. Whenever a vote of the members is required or provided for on any matter, the spouse may vote on behalf of the member unless the member has indicated otherwise to the Cooperative. When authorized by the Board of Directors, any voting member who will be absent from any annual or special meeting of the members may vote by mail upon any election, motion, resolution or other matter properly presented at the meeting. The ballot shall be in the format prescribed by the Board of Directors. If the ballot is received by the Cooperative before the close of business on the day immediately preceding the meeting at which matter is to be acted upon, the ballot shall be accepted and counted as a vote of the member.

SECTION 7. ORDER OF BUSINESS. The order of business at the annual meeting of the members, and, so far as possible, at all other meetings shall be essentially as follows:

- (a) report on the number of members present, either in person, or as determined under Section 4 or Section 5 of the Bylaws herein, in order to determine the existence of a quorum;
- (b) reading of the notice of the meeting and proof of the due mailing or delivery 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 the taking of necessary action thereon;
- (d) election of board members;
- (e) presentation and consideration of and the acting upon reports of officers, directors and committees;
- (f) unfinished business;
- (g) new business; and
- (h) adjournment.

ARTICLE III **DIRECTORS**

SECTION 1. GENERAL POWERS. The business and affairs of this Cooperative shall be managed by a Board of Directors which shall exercise all the powers of the Cooperative except such as are by law, the Articles of Incorporation, or the Bylaws conferred upon or reserved to the members.

SECTION 2. NUMBER AND DIRECTOR DISTRICTS. The number of Directors of this Cooperative shall not be less than seven (7) and not more than eleven (11), each of whom shall be a natural person and a member of this Cooperative and each of whom shall be elected or appointed from one of the respective Director Districts. It is specifically required that a member may only be nominated for the Director District in which he or she resides; and if elected, said Director must maintain his or her primary principal residence within said Director District during the remaining term. In the event said Director fails to maintain his or her primary principal residence within the Director

District in which he or she is serving, the Board of Directors shall remove said Director from office. The number of Directors and their respective districts shall be determined from time to time by the board of Directors of this Cooperative, but the term of any directors elected or appointed shall not be reduced by any change in the Board of Directors or by the composition of Director Districts.

District No. 1 – North Star and Burnstown Townships in Brown County, and Charlestown and Sundown Townships in Redwood County.

District No. 2 – Sherman, Morgan, Brookville, Three Lakes, Paxton and Honner Townships in Redwood County; and Prairieville Township in Brown County.

District No. 3 – New Avon, Redwood Falls, Delhi, Kintire and Swedes Forest Townships in Redwood County.

District No. 4 – Willow Lake, Waterbury, Vail and Lamberton Townships in Redwood County.

District No. 5 – Springdale, North Hero and Johnsonville Townships in Redwood County; Ann Township in Cottonwood County; Holly Township in Murray County; and Monroe Township in Lyon County.

District No. 6 – Granite Rock, Vesta and Sheridan Townships and the City of Lucan in Redwood County.

District No. 7 – Westline, Underwood and Gales Townships in Redwood County; Amiret, Clifton and Stanley Townships in Lyon County.

SECTION 3. ELECTION AND TENURE OF OFFICE.

- (a) Directors in office at the time of adopting these bylaws shall serve until their terms have expired and their successors have been elected and qualified.
- (b) Nominations for election of directors shall be taken from the floor at the annual meeting of the members.
- (c) Directors shall be elected by secret ballot at each annual meeting hereafter, by and from the members.
- (d) Each director so elected shall serve a term of three (3) years and until his successor has been elected and qualified.
- (e) If there are more than two candidates standing for election for one particular seat on the Board of Directors and no candidate receives a majority of the votes cast, then the two candidates receiving the highest number of votes cast shall stand for election for the directorship and another vote of the members shall be held. In case of a tie vote which materially affects the election of a director, the winner shall be determined by a flip of a coin.

If an election of directors 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 directors within a reasonable time thereafter. Directors shall be elected by a majority vote of the members.

SECTION 4. QUALIFICATIONS. No person shall be eligible to become a director of the Cooperative who:

- (a) Is in any way employed by or financially interested in a competing enterprise or a business selling electric energy, or supplies to the Cooperative, or a business primarily engaged in selling electric or plumbing appliances, fixtures or supplies to the members of the Cooperative.

Upon the establishment of the fact that a director is holding office in violation of any of the foregoing provisions, the Board of Directors shall 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 5. REMOVAL OF DIRECTORS BY MEMBERS. Any member may bring charges against a director and, by filing with the Secretary such charges in writing together with a petition signed by at least twenty percent (20%) of the members, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect to the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

SECTION 6. VACANCIES. Subject to the provisions of these Bylaws with respect to the filing of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by an affirmative vote of a majority of the remaining directors and the directors so elected shall serve the unexpired term of the vacancy and until his successor has been elected and has qualified.

SECTION 7. COMPENSATION. Directors shall receive for their services as directors, a sum fixed by resolution of the board and actual expenses for attendance at each authorized meeting.

SECTION 8. A director shall not be held personally liable to the Cooperative or its members for monetary damages for breach of fiduciary duty as a director; provided, that for this provision shall not eliminate or limit the liability of a director for:

- (a) Breach of the director's duty of loyalty to the cooperative association or its members;
- (b) Acts or omissions not in good faith that involve intentional misconduct or in knowing violation of the law;
- (c) A transaction from which the director derived an improper personal benefit;
- or
- (d) An act or omission occurring prior to the date when the provisions in the Articles eliminating or limiting liability become effective.

ARTICLE IV
MEETINGS OF DIRECTORS

SECTION 1. REGULAR MEETINGS. A Regular meeting of the Board of Directors shall be held without notice other than this Bylaw, immediately after, and at such place as the Board determines, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place, as the Board may provide by resolution. Five (5) days written notice shall be given each director of such regular monthly meetings.

SECTION 2. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place for the holding of any special meeting of the Board of Directors called by them.

SECTION 3. NOTICE. Notice of the time, place and purpose of any special meeting shall be given at least two (2) days previous thereto, by written notice, delivered personally or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed wrapper so addressed, with postage thereon prepaid. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 4. QUORUM. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the directors shall be present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE V
OFFICERS

SECTION 1. NUMBER. The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, and such other officers as may be determined by the Board of Directors from time to time. 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 meeting of the Board of Directors held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as

conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members and 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.

SECTION 4. PRESIDENT. The President:

- (a) Shall be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the Board of Directors, shall preside at all meetings of the members and the Board of Directors;
- (b) 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;
- (c) Shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 5. VICE PRESIDENT. In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the power of and be subject to all the restrictions upon the President. The Vice President shall also perform such duties as from time to time 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 Cooperative records and of the seal of the Cooperative and affix the seal of the Cooperative 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) Have general charge of the books of the Cooperative;
- (f) Keep on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereof, which copy shall always be open to the inspection of any member;

- (g) 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 by the Board of Directors.

SECTION 7. TREASURER. The Treasurer shall:

- (a) Have charge and custody of and be responsible for all bonds and securities of the Cooperative;
- (b) Be responsible for the receipt of and the issuance of receipts for all moneys due and payable to the Cooperative and for the deposit of all such moneys in the name of the Cooperative in such bank or banks or depositories as shall be selected in accordance with the provisions of these Bylaws;
- (c) In general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 8. 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 give a bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors at its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

SECTION 9. COMPENSATION. The compensation of officers, agents and employees shall be fixed by the Board of Directors.

SECTION 10. REPORTS. The officers of the Cooperative shall submit at each annual meeting of the members, the 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 OPERATION**

SECTION 1. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

SECTION 2. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all 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 obligated to account on a patronage

basis to all its members for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as capital. The Cooperative is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to this account.

All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts of capital.

The Board of Directors may, by policy, identify the types and nature of all income other than from the furnishing of electricity (hereinafter 'non-operating income') to be used as a basis for allocation of capital credits to members. Insofar as permitted by law, all net non-operating income shall be used to offset any losses incurred during the current or any prior fiscal year. Any net non-operating income not needed for that purpose, at the board's discretion,

- (a) May be allocated, in whole or in part, to members on a patronage basis, or
- (b) May be retained, in whole or in part, by the Cooperative as unallocated capital in a reserve account. Capital allocated to members from net non-operating income shall be retired at the discretion and direction of the Board as to timing, method and type of retirement, which may include retirement on a cycle basis different from that retirement of capital relative to the furnishing of electric energy.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to the members' account may be retired in full or in part. The Board of Directors shall determine the method, basis, priority, and order of making such retirements. The Board of Directors shall have the power to adopt rules providing for the separate retirements of that portion (power supply portion) of capital credited to the accounts of members which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric service to the Cooperative. Such rules shall:

- (a) Establish a method for determining the power supply portion and other capital credits portion credited to each member for each applicable fiscal year;
- (b) Provide for separate identification on the Cooperative's books of the power supply portion and other capital credits portion of capital credited to the Cooperative's members;
- (c) Provide for appropriate notification to members with respect to the power supply portion and other capital credits portion of capital credited to their accounts; and
- (d) Preclude a general retirement of the power supply portion and other capital credits portion of capital credited to members for any fiscal year prior to the general retirement of other capital credited to members for the same year or of any capital credited to any members for any prior fiscal year.

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

Notwithstanding any other provision of the Articles of Incorporation and Bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any member who was a natural person if, the legal representative of his estate shall request in writing that the capital credited to any such member be retired in full prior to the time such capital would otherwise be retired under the provisions of the Articles of Incorporation and Bylaws, to retire capital credited to any such member immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such member's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each member, and both the Cooperative and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this article shall be called to the attention of each member of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE VII **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. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidence of indebtedness, issued in the name of the Cooperative shall be signed 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 of Directors.

SECTION 3. DEPOSITS. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks or other depositories as the Board of Directors may select.

SECTION 4. FISCAL YEAR. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the last day of December of the same year.

ARTICLE VIII

SEAL

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Minnesota".

ARTICLE IX

SALE OF PROPERTY

SECTION 1. SALE OF PROPERTY. The Cooperative may at any meeting of its Board of Directors sell, mortgage, lease or exchange all of its property, rights, privileges and franchises upon such terms and conditions as the Board of Directors may deem expedient and for the best interests of the Cooperative, when and as authorized by the affirmative vote of two-thirds (2/3) of the members given at a members meeting duly called for that purpose. Such vote may be in person as provided elsewhere in these Bylaws, provided, however, nothing contained herein shall hinder or prevent the Board of Directors from selling, mortgaging, leasing or exchanging any item, or items of property, either real or personal, when such transaction involves less than all of the property of the Cooperative. However notwithstanding anything herein contained, the Board of Directors without authorization by the members shall have full power and authority to borrow money from the United States of America or any agency or instrumentality thereof or to borrow money from any person or organization and in connection with borrowing and to authorize the making and issuance of notes or other evidence of indebtedness and to secure the payment thereof to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon or the pledging or encumbering of any or all the property, assets, rights, privileges, licenses,

franchises and permits of the Cooperative whether acquired or to be acquired and wherever situated all upon such terms and conditions as the Board of Directors shall determine.

SECTION 2. DISPOSITION UPON DISSOLUTION. The procedure for dissolution of the Cooperative shall be for the elected directors to convert all assets into cash and then allocate the cash in the following order of priority:

- (a) To pay the necessary costs of dissolution
- (b) To pay any remaining debts of the cooperative.
- (c) To pay all allocated capital credits.
- (d) Then if any balance remains, it shall be distributed on a pro rata basis between the members and the holders of capital credits.

ARTICLE X **AMENDMENTS**

These bylaws may be altered, amended or repealed by a vote of two-thirds (2/3) of the members present at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

ARTICLE XI **MISCELLANEOUS**

SECTION 1. GENERAL MANAGER. The Board of Directors shall employ a General Manager and fix the compensation and all other terms of employment. The General Manager shall actively supervise all of the ordinary business of this Cooperative, and shall employ and discharge all other employees of the Cooperative, with the approval of the Board of Directors, and shall perform such additional duties and shall have such additional powers as the Board of Directors may require of or may delegate.

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 on the ground that the meeting has not 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, not inconsistent with laws, the Articles of Incorporation or of these Bylaws, as it may deem advisable for the management 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, among other things, and subject to applicable laws and rules and regulations of any regulatory body shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Services of the United States of America. The Board of Directors shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year.

SECTION 5. SECURITY INTEREST IN CAPITAL CREDITS. To secure payment of any amounts owed by a member or former member to the Cooperative, including any reasonable compounded interest and late payment fee, determined by the Board of Directors, the Cooperative has a security interest in the capital credits of every member and former member. Before retiring and refunding any capital credits, the Cooperative may deduct from the capital credits any amounts owed to the Cooperative by the member or former member including any reasonable compounded interest and late fee determined by the Board of Directors.

ARTICLE XII

REPEAL

Any and all Bylaws heretofore adopted by this Cooperative shall be repealed and of no force and effect upon the adoption of these Bylaws by the Cooperative.