

# Bylaws



Adams  
Electric  
Cooperative

# **Bylaws of Adams Electric Cooperative**

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# Bylaws

## ARTICLE I MEMBERSHIP

**SECTION 1.01. Eligibility.** Any natural person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision or agency thereof or body politic (each hereinafter referred to as "person," "applicant," "him" or "his") shall be eligible to become a member of and, at one or more premises owned or directly occupied or used by him, to receive electric service from, Adams Electric Cooperative (hereinafter called the "Cooperative"). No person shall hold more than one membership in the Cooperative.

**SECTION 1.02. Application for Membership; Renewal of Prior Application.** Application for membership wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative's Articles of Incorporation and Bylaws, and all rules, regulations and rate schedules established pursuant thereto as all the same then exist or may thereafter be adopted or amended (the obligations embraced by such agreement being hereinafter called "membership obligations") – shall be made in writing on such form as provided therefore by the Cooperative.

With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefore by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.03 (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), which fee (and such service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, if any) shall be refunded in the event the application is not approved. Any former member of the Cooperative may, by the sole act of paying 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 or attorney's fees incurred in the enforcement hereof), renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

**SECTION 1.03. Membership Fee; Service Security and Facilities Extension Deposits; Contribution in Aid of Construction.** The membership fee shall be as fixed from time to time by the Board of Directors. The membership fee (together with any service security deposit, or service connection fee, facilities extension deposit, or contribution in aid of construction, or any combination thereof, if required by the Cooperative) shall entitle the member to one service connection. A service connection fee, in such amount as shall be prescribed by the Cooperative (together with a service security deposit, a facilities extension deposit or a contribution in aid of construction, if required by the Cooperative), shall be paid by the member for each additional service connection requested by him.

**SECTION 1.04. Joint Membership.** Persons who are eligible under Section 1.01 to be Members may hold a joint membership in the Cooperative (“Joint Membership”). A Joint Membership may consist only of individuals owning or occupying the same Location to or for which the Cooperative provides or will provide a Cooperative service, each of whom qualifies to be a Member. If a husband and wife each qualifies to be a Member, and unless or until the husband or wife notifies the Cooperative otherwise in writing, then the husband and wife hold a Joint

## Membership.

- (a) Creating a Joint Membership. Except as otherwise provided in these Bylaws, to become or remain joint members of the Cooperative, qualified persons must jointly complete the Membership Procedures within a reasonable time, initially using, or requesting or agreeing to use, the first Cooperative Service used or to be used by the Persons. Qualified Persons become joint members of the Cooperative (“Joint Members”) and consent to being Joint Members in the same manner as Members become Members and consent to being Members. As provided by the Board, a Member may convert the Member’s individual membership to a Joint Membership with a qualified Person. While a Joint Member, a qualified Person may become or remain a separate, non-Joint Member by Using a Cooperative Service at a Location different from the Joint Membership Location.
- (b) Rights and Obligations of Joint Members. Except as otherwise provided in these Bylaws a Joint Member has and enjoys the rights, benefits, and privileges and is subject to the obligations, requirements and liabilities of being a Member. Joint Members are jointly and severally liable for complying with the Governing Documents. As used in these Bylaws, and except as otherwise provided in these Bylaws, a membership includes a Joint Membership and a Member includes a Joint Member. For a Joint Member:
- (1) notice of a meeting provided to one Joint Member constitutes notice to all Joint Members;
  - (2) waiver of notice of a meeting signed by one Joint Member constitutes waiver of notice for all Joint Members;
  - (3) the presence of one or more Joint Members at a meeting constitutes the presence of one Member at the meeting;
  - (4) the presence of one Joint Member at a meeting waives notice of the meeting for all Joint Members;

- (5) if only one Joint Member votes on a matter; signs a petition, consent, waiver or other document; or otherwise acts, then the first vote, signature, or action received by the Cooperative binds the Joint Membership and constitutes one vote, signature, or action;
  - (6) if more than one Joint Member votes on a matter; signs a petition, consent, waiver, or other document; or otherwise acts, then the first vote, signature or action received by the Cooperative binds the Joint Membership and constitutes one vote, signature, or action.
  - (7) except upon the cessation of marriage, cessation of the legally recognized relationship, failure to Occupy the same location to or for which the Cooperative provides or will provide a Cooperative Service, the suspension or termination of a Joint Member constitutes the suspension or termination of all Joint Members; and
  - (8) a Joint Member qualified to be a member of the Board (“Director”) may be a Director, regardless of whether another Joint Member is qualified to be a Director, but if more than one Joint Member is qualified to be a Director, then only one Joint member may be a Director.
- (c) Terminating a Joint Membership. Joint Members shall notify the Cooperative in writing of a cessation of marriage, cessation of the legally recognized relationship, failure to occupy the same location to or for which the Cooperative provides or will provide a Cooperative service. Upon determining or discovering the cessation of marriage, cessation of the legally recognized relationship, failure to occupy the same location to or for which the Cooperative provides or will provide a Cooperative service:
- (1) if one Joint Member remains qualified to be a Member and continues to use a Cooperative service at the same location, then the Joint Membership

- converts to a membership comprised of this Person;
- (2) if more than one Joint Member remains qualified to be a Joint Member and continues to use a Cooperative service at the same location; then the Joint Membership converts to a membership comprised of these persons;
  - (3) if all Joint Members remain qualified to be Joint Members and continue to use a Cooperative service at the same location, then the Joint Membership converts to a membership of persons determined by Cooperative; and
  - (4) if no Joint Member remains qualified to be a Member and continues to use a Cooperative service at the same location, then the Joint Membership terminates.

**SECTION 1.05. Acceptance into Membership.** Upon complying with the requirements set forth in Section 1.02, any applicant shall by Board resolution be accepted into membership in, and become eligible to receive electric service from the Cooperative, unless the Board of Directors shall determine that such applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application should be rejected for other good cause: PROVIDED, that any person whose application, for sixty (60) days or longer, has been submitted to but not approved by the Board of Directors may, by filing written request therefore with the Cooperative at least thirty (30) days prior to the next meeting of the members, have his application submitted to and approved or disapproved by the vote of the members at such meeting at which the applicant shall be entitled to be present and be heard.

**SECTION 1.06. Classifications of Members.** All members of the Cooperative shall be classified as either active or inactive members.

- (a) Active Members. All members currently receiving electric service from the Cooperative, delivered to the respective members through one or more service

connections, shall be classed the active members of the Cooperative and as such, shall have the right to vote upon any proposition submitted to the membership at any annual or special meeting of the Cooperative and shall be eligible to hold any elective office in the Cooperative further providing he or she meets all other qualifications required in the Bylaws.

- (b) Inactive Members. Those persons having otherwise qualified for membership in the Cooperative but who are not currently using electric service from the Cooperative shall be classed inactive members of the Cooperative and, as such, shall not be eligible to vote upon any proposition submitted to the membership at any annual or special meeting of the Cooperative or to hold any elective office in the Cooperative.

**SECTION 1.07. Purchase of Electric Power and Energy; Power Production by Member; Application of Payments to All Accounts.** The Cooperative shall use reasonably diligent efforts to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase through the Cooperative all electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership, unless and except to the extent that the Board of Directors, may in writing, waive such requirement, and shall pay therefore at the times, and in accordance with the rules, regulations, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Production or use of electric energy on such premises regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed



from time to time by the Cooperative. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative, any payment by him for service from the Cooperative shall be deemed to be allocated and credited on a pro rata basis to his outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and proration.

Payment for electrical energy shall include, for each member, a subscription to Adams Outlet, a publication of the Cooperative upon such terms and conditions as the Board of Directors may approve from time to time.

**SECTION 1.08. Excess Payments to be Credited as Member-Furnished Capital.** All amounts paid for electric service in excess of the cost thereof shall be furnished by members as capital, and each member shall be credited with the capital (also referred to as capital credits) so furnished as provided in Article IX of these Bylaws.

**SECTION 1.09. Wiring of Premises; Responsibility Therefore; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification.** Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the Illinois State Fire Marshall's Office, the National Electric Code, any applicable state code or local government ordinances, and of the Cooperative. Each member shall be responsible for – and shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of – such premises and all wiring and apparatuses connected thereto or used thereon. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent

contractors to have access thereto safely and without interference from hostile dogs or any other hostile source, for meter reading and bill collecting and for meter inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his best efforts to prevent others from so doing. Each member shall also provide such protective devices to his premises, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery.

**SECTION 1.10. Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Programs.** Each member shall, upon being requested so to do by the Cooperative, execute and deliver to the Cooperative grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service to him or other members or for the construction, operation, maintenance or

relocation of the Cooperative's electric facilities. Each member shall participate in any required program that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

## **ARTICLE II**

### **MEMBERSHIP SUSPENSION AND TERMINATION**

**SECTION 2.01. Suspension; Reinstatement.** Upon a member's failure, after the expiration of the initial time limit prescribed either in a specific notice to the member or in the Cooperative's generally publicized applicable rules and regulations, to pay any amounts due the Cooperative or to cease any other noncompliance with his/her membership obligations, a person's membership shall automatically be suspended; and the member shall not during such suspension be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, and/or cessation of any other noncompliance with his/her membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the membership, in which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meetings of its members.

**SECTION 2.02. Termination by Expulsion; Renewed Membership.** Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 2.01, the member may, without further notice, but only after due hearing if such is requested by him/her, be expelled by resolution of the Board of Directors at any subsequently held regular or special meeting of the Board. Any person so expelled may, by delivering written notice to that effect to the Cooperative at least ten (10) days prior to the next meeting of the members, appeal to and be present and heard at such meeting, which may vote approval of such expulsion or disapproval thereof, in which latter event such person's

membership shall be reinstated retroactively to the date of his expulsion. After any finally effective expulsion of a member, he/she may not again become a member except upon new application therefore duly approved as provided in Section 1.05. The Board of Directors, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all his/her membership obligations.

**SECTION 2.03. Termination by Withdrawal or Resignation.** Any member of the Cooperative may withdraw from membership upon payment in full of all debts and liabilities of such Member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe.

**SECTION 2.04. Termination by Death or Cessation of Existence; Continuation of Membership In Remaining or New Partners.** Except as provided in Section 2.05, the death of an individual member shall automatically terminate his membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership: PROVIDED, that upon the dissolution for any reason of a partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly to occupy or use the premises being furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners: PROVIDED FURTHER, that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative.

**SECTION 2.05. Effect of Death, Legal Separation or Divorce Upon a Joint Membership.** Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor as set forth in Section 1.04, in the same manner and to the same effect as though such membership had never been joint: PROVIDED, that the estate of the deceased spouse shall

not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership in the same manner and to the same effect as though such membership had never been joint: PROVIDED, that the other spouse shall not be released from any debts due the Cooperative.

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

**SECTION 3.01. Annual Meeting.** For the purposes of electing directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held each year, at such place in one of the counties in Illinois within which the Cooperative serves, and beginning at such hour, as the Board of Directors shall from year to year fix. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for, and to encourage member attendance at, the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

**SECTION 3.02. Special Meetings.** A special meeting of the members may be called by the Board of Directors, by the President of the Board, by any five (5) directors, or by petition signed by not less than twenty (20%) percent of the members of the Cooperative, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.03. Such special meeting shall be held at such place in one of the counties in Illinois within which the Cooperative serves, on such date, not sooner than thirty (30) days after the call for such meeting is made or a petition therefore is filed, and beginning at such hour as shall be designated by the individual or those calling or petitioning for the same.

**SECTION 3.03. Agenda and Action at Member Meetings.** Except as otherwise provided in these Bylaws, before or at an Annual, Regular, or Special Member Meeting, the President shall determine the agenda, program, or order of business for the Member Meeting. Except as otherwise provided by the Board before or at a Member Meeting, the President or an individual designated by the President; (1) shall preside at the Member Meeting; and (2) may exercise power reasonably necessary for efficiently and effectively conducting the Member Meeting. Except as otherwise provided by the Board, before or at a Member Meeting, Members attending the Member Meeting may consider, vote, or act only upon a matter described in the notice of the Member Meeting. Members attending a Special Member Meeting may consider, vote, or act only upon a matter described in the notice of the Special Member Meeting. Members may raise or discuss a matter at a Member Meeting if: (1) at least five (5%) percent of the members of the Cooperative sign one or more written requests to raise or discuss the matter; and (2) the Cooperative receives all written requests at least 60 days before the Member Meeting.

**SECTION 3.04. Notice of Member Meetings.** Written or printed notice of the place, day and hour of the meeting and, in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting shall be delivered to each member not less than five (5) days nor more than thirty (30) days prior to the date of the meeting, either personally, electronically (email), by telephone, or by United States mail, by or at the direction of the President or the Secretary (and, in the case of a special meeting, at the direction of him or those calling the meeting). Any such notice delivered may be included with member service billings or as an integral part of the Cooperative's monthly newsletter. No matter, the carrying of which, as provided by law, requires the affirmative votes of at least two-thirds (2/3) of members present shall be acted upon at any meeting of the members unless notice of such matter shall have been contained in the notice of the 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 on the records

of the Cooperative, with postage thereon prepaid and postmarked not more than thirty (30) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and nonintended failure of any member to receive a notice deposited in the mail addressed to the member at his address as shown on the Cooperative's books shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection.

**SECTION 3.05. Quorum.** Business may not be transacted at any meeting of the members unless there are at least two hundred (200) members present, except that, if less than a quorum is present at any meeting, a majority of those present in person may without further notice adjourn the meeting to another time and date not less than thirty (30) days later and to any place in one of the counties in Illinois within which the Cooperative serves.

**SECTION 3.06. Voting.** Each member who is not in a status of suspension, as provided for in Section 2.01, or an inactive member as defined in Section 1.06, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members. Voting by members shall be allowed upon the presentation to the Cooperative, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person to vote. At all meetings of the members all questions shall be decided by the affirmative votes of a majority of the members present, except as otherwise provided by law or by the Cooperative's Articles of Incorporation or these Bylaws. Members may not cumulate their votes or vote by mail.

Each member who is not in a status of suspension as provided for in Section 2.01, or an inactive member as defined in

Section 1.06, may vote on any question properly before the annual meeting of members by casting an absentee ballot during regular business hours at the headquarters office of Adams Electric Cooperative or at any other location the Board of Directors may designate, not more than ten (10) days preceding the date of the meeting of the members.

### **SECTION 3.07. Credentials and Election Committee.**

The Board of Directors may, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee. The Committee shall consist of an uneven number of members not less than three (3) nor more than seven (7) who are not existing Cooperative employees, agents, officers, directors or known candidates for director, and who are not close relatives (as hereinafter defined) or members of the same household of existing Cooperative employees, agents, officers, directors or known candidates for director. In appointing the Committee, the Board shall have regard for the equitable representation of the several areas served by the Cooperative. The Committee shall elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the Committee or assigned election tellers to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast. The Credentials Committee shall in addition have the authority to rule upon all other questions that may arise relating to member voting and the election of directors (including but not limited to the validity of petitions of nomination or the qualifications of candidates) and to pass upon any protest or objection filed with respect to any election or conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following the adjournment of, the meeting in which the voting is conducted. The committee shall thereupon be reconvened upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the



protestor(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final. The Committee may not affirmatively act on any matter unless a majority of the Committee is present.

## **ARTICLE IV DIRECTORS**

**SECTION 4.01. Number and General Powers.** The business and affairs of the Cooperative shall be managed by a Board of nine (9) Directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or Bylaws conferred upon or reserved to the members.

**SECTION 4.02. Qualifications.** No person shall be eligible to become or remain a Director of the Cooperative who is not a member in good standing of the Cooperative and receiving service therefrom at their primary residential abode: PROVIDED, that no more than one (1) such person per membership may serve on the Board of Directors at the same time. No person shall be eligible to become or remain a director of, or to hold any other position of trust in, the Cooperative who is not at least eighteen (18) years of age; is employed by the Cooperative; or has been employed by the Cooperative at any time during the preceding five (5) years.

While a Director, and during the one (1) year immediately prior to becoming a Director, a Director or Director-candidate must not be, not have been; a close relative (a close relative is defined as a member of an incumbent Director's family, including a brother, sister, spouse, ancestor or lineal descendant) of any existing Director, other than an existing Director who will cease being a

Director within one (1) year; an existing, or close relative of an existing, non-Director Cooperative Officer, employee, agent or representative; employed by, materially affiliated with, or share a material financial interest with, any other Director; engaged in, nor employed by, materially affiliated with, or have material financial interest in, any individual or entity; (a) directly and substantially competing with the Cooperative; or (b) selling goods and services in substantial quantity to the Cooperative.

Upon establishment of the fact that a Director-candidate lacks eligibility under this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the existing Board of Directors to disqualify such Candidate. Upon the establishment of the fact that any person being considered for, or already holding, a directorship or other position of trust in the Cooperative lacks eligibility under this Section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause such person to be removed therefrom, as the case may be. Nothing contained in this Section shall, or shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more of the Directors have an interest adverse to that of the Cooperative.

No person shall be eligible to remain a Director of the Cooperative unless an incumbent Director completes all requirements for a Certified or Credentialed Director, as defined by the National Rural Electric Cooperative Association (NRECA), within the first five (5) years of service, then an incumbent Director shall be eligible for an additional five (5) terms and a maximum of seven (7) successive terms. Provided, however, an incumbent Director must complete at least two (2) additional continuing educational offerings, as defined by Board policy, during a three (3) year period ending with the second (2<sup>nd</sup>) year of each successive term to maintain eligibility as a Director under this Section 4.02, except such person may be appointed to fill an unexpired term without violating this provision.

**SECTION 4.03 Election.** At each annual meeting of the members, directors shall be elected by secret written ballot by the members and, except as provided in the first proviso of Section 4.02 of these Bylaws, from among those members who are individuals. Voting for directors shall be from the membership of the entire Cooperative at large and shall not be restricted to districts.

**SECTION 4.04 Election and Tenure of Office.** The territory served by the Cooperative shall be divided into nine (9) Directorate Districts for Directors to serve for a three (3) year term. The Districts and areas represented are as follows:

TO BE ELECTED IN 2013:

District 1      Representing Astoria Township in Fulton County; Littleton, Oakland, Buena Vista, Woodstock, Browning, Rushville, Bainbridge, Hickory and Frederick Townships of Schuyler County.

District 2      Representing Keene, Northeast and Houston Townships of Adams County; Augusta, Chili and St. Albans Townships of Hancock County.

District 3      Representing Gilmer, Columbus, Burton and Liberty Townships of Adams County.

TO BE ELECTED IN 2014:

District 4      Representing Mt. Sterling, Elkhorn, Ripley, Cooperstown and Versailles Townships of Brown County.

District 5      Representing St. Mary Township of Hancock County; Bethel and LaMoine Townships of McDonough County; Birmingham, Camden, Huntsville and Brooklyn Townships of Schuyler County.

District 6      Representing Melrose, Fall Creek, Payson, Richfield, Beverly, and Quincy Townships (south of Broadway Street) of Adams County; Kinderhook, Barry, Fairmont and Hadley Townships of Pike County.

TO BE ELECTED IN 2015:

District 7      Representing Lima, Ursa, Riverside, Mendon, Ellington, and Quincy Townships (north of Broadway Street) of Adams County; Rocky Run and Walker Townships of Hancock County.

District 8      Representing Pea Ridge, Missouri, Lee and Buckhorn Townships of Brown County.

District 9      Representing Honey Creek, Camp Point, Clayton, Concord and McKee Townships of Adams County.

Directors in 2012 will be elected representing Districts #7, #8 and #9. Directors shall be elected by ballot by and from the members of the Cooperative to succeed those Directors whose terms of office have expired, and to serve for a term of three (3) years, or until their successors shall have been elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of Directors. In like manner, the next succeeding three (3) year terms shall be filled at each succeeding annual meeting as the previous terms expire.

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.

**SECTION 4.05. Determining Directorate Districts.**

Notwithstanding the foregoing Directorate District description, as needed, the Board of Directors, not less than 365 days prior to the

earliest date on which the annual member meeting may be scheduled by these Bylaws to be held, shall review the Districts and, if determining that they should be altered so as to correct any substantially inequitable factors regarding the residence of members, or the geographic location of Districts, and/or the number of directors to be elected from or with respect to such Districts, shall change and redescribe one or more Districts and/or the number of directors to be elected from or with respect to such Districts, accordingly, in which event all Districts as so changed shall be noticed in writing precisely to the members not later than one hundred twenty (120) days prior to the date of the Annual Meeting. After such notice, these Bylaws shall have been effectively amended accordingly until, at least after the succeeding annual member meeting: PROVIDED, that no such change shall be so effectuated by the Board as to compel the vacancy of any director's office prior to the time such director's term would normally expire unless such director consents thereto in writing.

**SECTION 4.06 Nominations.** Any 25 or more members acting together may make nominations by petition filed ninety (90) days prior to the date of the Annual Meeting and the Secretary shall post such nominations at the principal office of the Cooperative within thirty (30) days following the petition deadline. Requests for petitions will begin no earlier than one hundred eighty (180) days prior to the Annual Meeting. Either husband or wife can sign the petition if a joint member.

The Secretary shall be responsible for mailing to each member at least thirty (30) days before the date of the Annual Meeting, a statement of the number of Board Members to be elected and the names and addresses of the candidates nominated in each district.

The Secretary shall be responsible for mailing with the Notice of the Annual Meeting, or separately, but at least five (5) days before the date of the Annual Meeting, a statement of the number of board members to be elected and the names and addresses of the candidates nominated by petition. The names of the candidates shall be arranged by district.

**SECTION 4.07 Removal of Directors by Members.** Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition signed by not less than ten (10%) percent of the total membership of the Cooperative, which petition calls for a special member meeting, the stated purpose of which shall be to hear and act upon such charge(s) and, if one or more directors are recalled, to elect their successor(s), and which specifies the place, time and date thereof not less than sixty (60) days after filing of such petition, or which requests that the matter be acted upon at the subsequent annual member meeting if such meeting will be held no sooner than sixty (60) days after the filing of such petition. An independent moderator, neither member or director, shall be appointed by Resolution of the Board of Directors to preside over meeting. Each page of the petition shall, in the forepart thereof, state the name(s) and addresses(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s) is(are) being made. The petition shall be signed by each member in the same name as he is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than five (5) days prior to the member meeting at which the matter will be acted upon: PROVIDED, that the notice shall set forth only twenty (20) of the names (in alphabetical order) of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the same director(s). Such director(s) shall be informed in writing of the charges after they have been validly filed and at least twenty (20) days prior to the meeting of the members at which the charge(s) are to be considered, and shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity,

but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor; PROVIDED, that the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents or otherwise. A newly elected director shall be from or with respect to the same Directorate District as was the director whose office he succeeds and shall serve the unexpired portion of the removed director's term and the candidate will have to meet director qualifications.

**SECTION 4.08 Vacancies.** Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring on the Board of Directors shall be filled by the Board of Directors. A director elected shall serve out the unexpired term of the director whose office was originally vacated and until a successor is elected and qualified: PROVIDED, that such a director shall be from or with respect to the same Directorate District, as was the director whose office was vacated.

**SECTION 4.09 Compensation; Expenses.** Directors shall, as determined by a resolution of the Board of Directors, receive on a per diem basis a fixed fee, which may include accidental death and dismemberment benefits a) for attending meetings of the Board of Directors and b) for the performance of other Cooperative business when such has had prior approval of the Board of Directors for the performance of other Cooperative business. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred. No director shall receive compensation for serving the Cooperative in any other capacity, not shall any close relative of a director receive compensation for

serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by a vote of the members or such payment and amount shall be specifically authorized by the Board of Directors upon their certification of such as an emergency measure: PROVIDED, that a director who is also an officer of the Board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the Board of Directors.

**SECTION 4.10. Rules, Regulations, Rate Schedules and Contracts.** The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

**SECTION 4.11. Accounting System and Reports.** The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of, such year. A full and accurate summary of such audit reports shall be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

## **ARTICLE V MEETINGS OF DIRECTORS**



**SECTION 5.01. Regular Meetings.** A regular meeting of the Board of Directors shall be held, without notice, after the adjournment of the annual meeting of the members, as soon thereafter as conveniently may be, at such site as designated by the Board of Directors. A regular meeting of the Board of Directors shall also be held monthly at such date, and time set by the Board of Directors. Such regular monthly meeting may be held without notice, except when business to be transacted thereat shall require special notice.

**SECTION 5.02. Special Meetings.** Special meetings of the Board of Directors may be called by Board resolution, or by any five (5) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03. The Board, the President, or the directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties in Illinois within which the Cooperative serves, unless all directors consent to its being held in some other place in Illinois or elsewhere.

**SECTION 5.03 Notice of Directors' Special Meetings.** Written notice of the date, time, place and purpose or purposes of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board, shall be delivered to each director not less than five (5) days prior thereto, either personally or by mail or electronically (email), by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by him or those calling it in the case of a special meeting, or by any director in the case of a meeting whose date, time and place have already been fixed by Board resolution. 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 first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. The attendance of a director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more

items of business, on the ground that the meeting shall not have been lawfully called or convened.

**SECTION 5.04. Quorum.** The presence in person of a majority of the directors in office shall be required for the transaction of business and the affirmative votes of a majority of the directors present shall be required for any action to be taken: PROVIDED, that a director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of directors in office or present: AND PROVIDED FURTHER, that, if less than a quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause the absent directors to be duly and timely notified of the date, time and place of such adjourned meeting.

## **ARTICLE VI OFFICERS; MISCELLANEOUS**

**SECTION 6.01. Number and Title.** The officers of the Cooperative shall be a President, Vice President, Secretary and Treasurer, and such other officers as may from time to time be determined by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person.

**SECTION 6.02. Election and Term of Office.** The four officers named in Section 6.01 shall be elected by secret written ballot, annually and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of the Bylaws with respect to the removal of directors and to the removal

of officers by the Board of Directors. Any other officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

**SECTION 6.03. Removal.** Any officer, agent or employee elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served.

**SECTION 6.04. Vacancies.** A vacancy in any office elected or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term.

**SECTION 6.05. President.** The President shall:

- (a) be the principal executive officer of the Cooperative and shall preside at all meetings of the Board of Directors, and, unless determined otherwise by the Board of Directors, at all meetings of the members;
- (b) sign, with the Secretary, 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 from time to time.

**SECTION 6.06. 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 powers of and be subject to all the restrictions upon the President; and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 6.07. Secretary.** The Secretary shall:

- (a) keep, or cause to be kept, the minutes of 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 fully given in accordance with these Bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed 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 or is required by law;
- (d) keep, or cause to be kept, a register of the name and post office address of each member, which address shall be furnished to the Cooperative by such member;
- (e)
- (e) have general charge of the books of the Cooperative in which a record of the members is kept;
- (f) keep on file at all times a complete copy of the Cooperative's Articles of Incorporation and Bylaws, together with all amendments thereto, which copies shall always be open to the inspection of any member, and, at the expense of the Cooperative, furnish a copy of the most current Bylaws upon request to any member; and
- (g) in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 6.08. Treasurer.** The treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the

Cooperative in such bank or banks or in such financial institutions or securities as shall be selected in accordance with the provisions of these Bylaws; and

- (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 6.09. 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 6.07 and 6.08, 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 such 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.

**SECTION 6.10. General Manager; Executive Vice President.** The Board of Directors may appoint a General Manager, who may be, but who shall not be required to be, a member of the Cooperative, and who also may be designated Executive Vice President. Such officer shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to time vest in him.

**SECTION 6.11. Bonds.** The Board of Directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the Board 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 amount and with such surety

as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

**SECTION 6.12. Compensation; Indemnification.** The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be determined as provided in Section 4.09 of these Bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed or a plan therefor approved by the Board of Directors. The Cooperative shall indemnify directors, officers, including the General Manager, agents and employees, as provided in the General Not for Profit Corporation Act, 805 ILCS 105/108.75. The Cooperative may purchase insurance to cover such indemnification.

**SECTION 6.13. Reports.** The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year,

## **ARTICLE VII CONTRACTS, CHECKS AND DEPOSITS**

**SECTION 7.01. Contracts.** Except as otherwise provided by law or these Bylaws, the Board of Directors may authorize any Cooperative officer, agent or employee 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 7.02. Checks, Drafts, etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness, issued in the name of the Cooperative, shall be signed or countersigned by such officer, agent or employee of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

**SECTION 7.03. Deposits; Investments.** All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the Board of Directors may select.

## **ARTICLE VIII EVIDENCE OF MEMBERSHIP**

Membership in the Cooperative shall be evidenced by an official Membership list which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Cooperative's Articles of Incorporation or its Bylaws.

## **ARTICLE IX COOPERATIVE OPERATION**

**Section 9.01. Nonprofit and Cooperative Operation.** The Cooperative: 1) shall operate on a nonprofit and cooperative basis for the mutual benefit of all Members; and 2) may not pay interest or dividends on capital furnished by Patrons.

**Section 9.02. Allocating Capital Credits.** The Cooperative shall allocate Capital Credits as provided in this Bylaw. The Cooperative must allocate Capital Credits in a Patron's name as shown in the Cooperative's records, regardless of the Patron's marital status.

- a) Patron. The term "Patron" means, during a fiscal year: a Member.
- b) For each good or service provided by the Cooperative on a cooperative basis during a fiscal year, the Cooperative shall equitably allocate to each patron, in proportion to the value of the good or service purchased by the patron during the fiscal year, the Cooperative's patronage earnings from providing the good or service

during the fiscal year. Patronage earnings mean the amount by which the Cooperative's patronage sourced revenues from providing a Cooperative Service exceed the Cooperative's patronage sourced expenses of providing the Cooperative Service, all as determined under federal cooperative tax law.

For each fiscal year, the Cooperative shall allocate to each Patron, in proportion to the quantity or value of Cooperative Services used by the Patron during the fiscal year and timely paid for by the Patron, the Cooperative's nonpatronage earnings. The Board may use, retain, or equitably allocate the Cooperative's nonpatronage earnings. Nonpatronage earnings mean the amount by which the Cooperative's nonpatronage sourced revenues during a fiscal year exceed the Cooperative's nonpatronage sourced expenses during the fiscal year, less any amount needed to offset a patronage loss.

- c) Allocating Losses. The Cooperative does not allocate patronage losses in a given year. The Cooperative shall offset the Cooperative's patronage loss from providing the Cooperative Service during the fiscal year: A) against the Cooperative's patronage earnings from providing the Cooperative Service during the most recent past fiscal year(s) or the next succeeding future fiscal year(s); or B) first against the Cooperative's nonpatronage earnings during the current fiscal year, second against the Cooperative's unallocated nonpatronage earnings during any past fiscal year(s) and third against the Cooperative's nonpatronage earnings during any future fiscal year(s). Patronage loss means the amount by which the Cooperative's patronage sourced expenses of providing a Cooperative Service during a fiscal year exceed the Cooperative's patronage sourced revenues from providing the Cooperative Service during the fiscal year, all as determined under federal cooperative tax law.



For each fiscal year, the Cooperative shall: 1) allocate to each Patron, in proportion to the quantity or value of Cooperative Services Used by the Patron during the fiscal year, the Cooperative's nonpatronage loss; or 2) offset the Cooperative's nonpatronage loss against the Cooperative's nonpatronage earnings during any fiscal year(s). Nonpatronage loss means the amount by which the Cooperative's nonpatronage sourced expenses during a fiscal year exceed the Cooperative's nonpatronage sourced revenues during the fiscal year.

- d) Capital Credits. For each amount allocated to a Patron, the Patron shall contribute a corresponding amount to the Cooperative as capital. The Cooperative must credit all capital contributions from a Patron 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, each capital contribution is treated as though the Cooperative paid the amount allocated to the Patron in cash pursuant to a pre-existing legal obligation and the Patron contributed the corresponding amount to the Cooperative as capital. The term "Capital Credits" means the amounts allocated to a Patron and contributed by the Patron to the Cooperative as capital. Consistent with this Bylaw, the allocation of Capital Credits is in the discretion of the Board and the Board must determine the manner, method, and timing of allocating Capital Credits. The Cooperative may use or invest unretired Capital Credits as determined by the Board. To secure a Patron's obligation to pay amounts owed to the Cooperative, including any compounded interest and late payment fee, and in return for the Cooperative providing a Cooperative Service to the Patron, the Cooperative has a security interest in Capital Credits allocated to the Patron. The Patron authorizes the Cooperative to perfect this security interest by filing a financing statement. Through a security agreement signed or authenticated by a Patron,

the Patron may grant the Cooperative a security interest in Capital Credits allocated to the Patron and authorizes the Cooperative to perfect the security interest.

- e) Different and Separate Allocations. 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 under the same manner, method and timing. If the Cooperative is a member, patron or owner of an Entity from which the Cooperative Uses a good or service in Providing a Cooperative Service and from which the Cooperative is allocated a capital credit or similar amount, then, as determined by the Board and consistent with this Bylaw, the Cooperative may separately identify and allocate to the Cooperative's Patrons this capital credit or similar amount allocated by the Entity.
- f) Joint Memberships. Upon receiving written notice and sufficient proof of the termination, conversion or alteration of a Joint Membership: 1) through the death of a Joint Member, the Cooperative shall assign and transfer to each surviving Joint Member an equal portion of Capital Credits allocated, or to be allocated, to the Joint Membership; or 2) other than through the death of a Joint Member, and except as otherwise provided by a court or administrative body of competent jurisdiction, and except as otherwise provided by the Joint Members, the Cooperative shall assign and transfer to each Joint Member an equal portion of Capital Credits allocated, or to be allocated, to the Joint Membership.

**Section 9.03. Notification and Assignment of Capital Credits.** Within a reasonable time after the end of each fiscal year, the Cooperative shall notify each Patron in writing or electronically of the stated dollar amount of Capital Credits allocated to the Patron for the preceding fiscal year. Except as

otherwise provided by the Board or these Bylaws, to assign or transfer a Patron's Capital Credits: 1) the Cooperative must receive a written or electronic request signed by the Patron to assign or transfer the Capital Credits; 2) the Patron and the assignee or transferee must comply with all reasonable requirements specified by the Cooperative.

**Section 9.04. Retiring Capital Credits.** The Cooperative may retire and pay Capital Credits allocated to Patrons and former Patrons as provided in this Bylaw. If the Cooperative retires and pays Capital Credits, then the Cooperative must retire and pay Capital Credits in a Patron's name as shown in the Cooperative's records, irregardless of the Patron's marital status, irregardless of gender in compliance with the Illinois Religious Freedom Protection and Civil Union Act 750 ILCS 75/1, et.seq. If the Cooperative mails a retired Capital Credit payment, then the Cooperative shall maintain the payment to the Patron or former Patron's address as shown in the Cooperative's records.

- a) General Capital Credit Retirements. At any time before the Cooperative's dissolution, liquidation, or other cessation of existence, the Cooperative may generally retire and pay some or all Capital Credits allocated to Patrons and former Patrons.
- b) Special Capital Credit Retirements. The Cooperative may specially retire and pay some or all Capital Credits allocated to an individual Patron or former Patron: 1) after the death of the individual; 2) after receiving a written or electronic request from the deceased individual's legal representative; and 3) according to the terms and conditions authorized by the Cooperative. The Cooperative may specially retire and pay Capital Credits only as provided in this Bylaw.
- c) Capital Credit Recoupment and Offset. Regardless of a statute of limitation or other time limitation, after retiring Capital Credits allocated to a Patron or former Patron, the Cooperative may recoup, offset or setoff an amount owed to the Cooperative by the Patron or former Patron, including any compounded interest and

late payment fee, by reducing the allocated amount of retired Capital Credits paid to the Patron or former Patron by the amount owed to the Cooperative.

- d) Capital Credit Retirement Discretion. The Cooperative may retire and pay Capital Credits only if the Board 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 sole discretion of the Board and are not affected by previous retirements and payments. The manner, method, and timing of retiring and paying Capital Credits may be determined only by the Board.
- e) Different and Separate Capital Credit Retirements. As reasonable and fair, the Cooperative may retire and pay Capital Credits to classes of similarly situated Patrons and former Patron under different manners, methods and timing, provided the Cooperative retires and pays Capital Credits to similarly situated Patrons and former Patrons under the same manner, method and timing. If the Cooperative separately identified and allocated Capital Credits representing capital credits or similar amounts allocated to the Cooperative by an Entity in which the Cooperative is or was a member, patron or owner, then the Cooperative may retire and pay these Capital Credits before or after the Entity retires and pays the capital credits or similar amounts to the Cooperative.
- f) Discounted Capital Credit Payments. As determined by the Board, before the time the Cooperative anticipated normally retiring and paying Capital Credits, the Cooperative may retire some or all Capital Credits and pay the net present value of the retired Capital Credits.

**Section 9.05. Patron Agreement.** Each Patron and former Patron agrees that:

- 1) Capital Credits are not securities under state and federal law; and

- 2) The Patron's right to Capital Credits vests, accrues, becomes redeemable, and becomes payable only upon the Cooperative retiring the Capital Credits as provided in these Bylaws, and not upon the Cooperative allocating the Capital Credits.

**Section 9.06. Non-Member Patrons and Non-Member Non-Patrons.** As a condition of Using a Cooperative Service, and except as otherwise provided by the Board:

- 1) To the same extent as a Member, a Patron who is not a Member ("Non-Member Patron") and a Person Using a Cooperative Service who is not a Member or Patron ("Non-Member Non-Patron") must abide by and be bound to the duties, obligations, liabilities and responsibilities imposed by the Governing Documents upon Members;
- 2) A Non-Member Patron or Non-Member former Patron has none of the rights granted by the Governing Documents to Members, other than the right to: A) be allocated Capital Credits; and B) be paid retired Capital Credits; and
- 3) A Non-Member Non-Patron has none of the rights granted by the Governing Documents to Members.

**Section 9.07. Reasonable Reserves.** Regardless of a contrary Bylaw, and to meet the Cooperative's reasonable needs, the Cooperative may accumulate and retain amounts exceeding those needed to meet current losses and expenses ("Reasonable Reserves"). The Cooperative must keep records necessary to determine, at any time, each Patron's rights and interest in Reasonable Reserves.

## **ARTICLE X WAIVER OF NOTICE**

Any member or director may waive, in writing, any notice of meetings required to be given by these Bylaws or any notice that

may otherwise be legally required, either before or after such notice is required to be given.

## **ARTICLE XI**

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

### **DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION**

#### **SECTION 11.01 Disposition and Pledging of Property.**

- A) Not inconsistent with the provisions of the General Not for Profit Corporation Act, 805 ILCS 105/101.01, and of subsection c) hereof, the members authorize the sale, lease, lease-sale, exchange, transfer or other disposition of all or substantially all of the Cooperative's property and assets by the affirmative votes of at least two thirds (2/3) of the members at an annual or special meeting of members pursuant to a written or printed notice called for that purpose. The proposed plan referred to in the notice shall be adopted by receiving the affirmative vote of at least two thirds of the voters present and voting on the plan, which plan shall be adopted by receiving the affirmative vote of at least 2/3 of the votes of the members present at the annual or special meeting of members called for that purpose. However, the Board of Directors, without authorization by the members, shall have full power and authority to sell, lease, lease-sell, exchange, transfer or otherwise dispose of merchandise and any property no longer necessary or useful for operating the Cooperative. Notwithstanding any provision of this article, the Board of Directors shall have full power and authority to contract for and enter into any loans, mortgages, leases and security agreements relating to the Cooperative's operations.
- B) Not inconsistent with the provisions of the General Not for Profit Corporation Act, 805 ILCS 105/101.01, et.seq. and subsection thereof, the members may authorize the transfer or other disposition of all or substantially all of the cooperative's property and assets by merger or consolidation into a new resulting entity by the affirmative votes of at least two thirds (2/3) of the members at an annual or special meeting of members pursuant to a written or printed notice called for that purpose. The proposed plan of merger or consolidation referred to in the notice shall be adopted by receiving the affirmative vote of at least two thirds of the voters present and voting on the plan at that meeting. However, this plan

of merger or consolidation may be entered into solely with other entities of like kind organized under IRC 501 (c)(12) as amended or its replacement.

- C) Supplementary to the foregoing subsection a) and any other applicable provisions of law or these Bylaws, no sale, lease, lease-sale, exchange, transfer or other disposition of all or substantially all of the Cooperative's property and assets shall be authorized except in conformity with the following:
- 1) If the Board of Directors looks with favor upon any proposal for such sale, lease, lease-sale, exchange, transfer or other disposition, it shall first cause three (3) independent, non-affiliated appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange, transfer or other disposition and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be designated by a Circuit Court Resident Judge for the Circuit in Illinois in which the Cooperative's headquarters are located. If such judge refuses to make such designations, they shall be made by the Board of Directors.
  - 2) If the Board of Directors, after receiving such appraisals (and other terms and conditions which are submitted, if any), determines that the proposal should be submitted for consideration by the members, it shall first give every other electric cooperative corporately sited and operating in Illinois (which has not made such an offer for such sale, lease, lease-sale, exchange, transfer or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric cooperatives, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three (3) appraisers. Such electric cooperatives shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.
  - 3) If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members not less than fifty (50) days before noticing a special meeting of the members thereon or, if such be the case, the next annual member meeting, expressing in

detail each of any such proposals, and shall call a special meeting of the members for consideration thereof, which meeting shall be held not less nor more than forty (40) days after the giving of such notice to the members: PROVIDED, that consideration thereof by the members may be given at the next annual meeting if the Board so determines and if such annual meeting is held not less nor more than forty (40) days after the giving of such notice.

## **ARTICLE XII FISCAL YEAR**

The Cooperative's fiscal year shall begin on the first day of the month of January of each year and end on the last day of the month of December following.

## **ARTICLE XIII RULES OF ORDER**

Parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the members or Board of Directors which may from time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or Bylaws.

## **ARTICLE XIV AMENDMENTS**

These Bylaws may be altered, amended or repealed by resolution of at least 2/3 majority of the Board or by at least 2/3 majority of members present in person at any regular or special meeting, but only if a notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal, or an accurate summary explanation thereof.