

**EMPIRE ELECTRIC
ASSOCIATION, INC.**

BYLAWS

As Amended February 08, 2019

BYLAWS
Table of Contents

ARTICLE I	MEMBERS	Page
Section 1:	Qualifications and Obligations	1
Section 2:	Membership	1
Section 3:	Purchase of Electric Power and Energy	1
Section 4:	Purchase of Electric Power and Energy by Non-Members	1
Section 5:	Non-Liability for Debts of the Cooperative	1
Section 6:	Expulsion of Members	1
Section 7:	Withdrawal of Membership	2
Section 8:	Transfer and Termination of Membership	2
Section 9:	Removal of Directors and Officers	2
ARTICLE II	MEETINGS OF MEMBERS	
Section 1:	Annual Meeting	3
Section 2:	Special Meetings	3
Section 3:	Notice of Members Meetings	3
Section 4:	Quorum	3
Section 5:	Voting	4
Section 6:	Order of Business	4
ARTICLE III	DIRECTORS	
Section 1:	General Powers	4
Section 2:	Qualifications and Tenure	4
Section 3:	Voting Districts	5
Section 4:	Nomination of Directors	5
Section 5:	Vacancies	6
Section 6:	Compensation	6
Section 7:	Rules and Regulations	6
Section 8:	Accounting System and Reports	6
Section 9:	Change in Rates	6
ARTICLE IV	MEETINGS OF DIRECTORS	
Section 1:	Regular Meetings	7
Section 2:	Special Meetings	7
Section 3:	Notice	7
Section 4:	Quorum	7
Section 5:	Attendance	7
Section 6:	Telephonic Meetings	8
ARTICLE V	OFFICERS	
Section 1:	Number	8
Section 2:	Election and Term of Office	8
Section 3:	Removal	8

		Page
Section 4:	Vacancies	8
Section 5:	Officers	8
Section 6:	General Manager	9
Section 7:	Bond of Officers	9
Section 8:	Compensation	9
Section 9:	Reports	9
Section 10:	Indemnification of Directors, Officers and Employees	10
ARTICLE VI	CONTRACTS, CHECKS AND DEPOSITS	
Section 1:	Contracts	10
Section 2:	Checks, Drafts, Etc.	10
Section 3:	Deposits	10
ARTICLE VII	NON-PROFIT OPERATION	
Section 1:	Interest or Dividends on Capital Prohibited	10
Section 2:	Patronage Capital in Connection with Furnishing Electric Energy	11
Section 3:	Patronage Refunds in Connection with Furnishing Other Services	12
Section 4:	Notification of Patronage Capital Credits	12
ARTICLE VIII	WAIVER OF NOTICE	12
ARTICLE IX	DISPOSITION OF PROPERTY	12
ARTICLE X	FISCAL YEAR	12
ARTICLE XI	MEMBERSHIP IN OTHER ORGANIZATIONS	13
ARTICLE XII	SEAL	13
ARTICLE XIII	AMENDMENTS	13

BYLAWS

ARTICLE I

MEMBERS

Section 1. QUALIFICATIONS AND OBLIGATIONS. Any person, firm, corporation or body politic may become a member in the cooperative by:

- a) Agreeing to purchase from the cooperative electric power and energy hereinafter specified, and
- b) Agreeing to comply with and be bound by the articles of incorporation and these bylaws and any amendments thereto and such rules and regulations as may be adopted by the board of directors.

No person, firm, corporation or body politic shall become a member until approved for membership by the issuance of a bona fide membership number. The books of the corporation will be closed for purpose of membership approval and transfer five (5) days prior to any meeting of the members. Applications for membership received less than five (5) days prior to the meeting of the members shall not be entitled to vote. No person, firm, corporation or body politic may own more than one (1) membership in the cooperative.

Section 2. MEMBERSHIP. Membership in the cooperative shall be evidenced by the issuance of a membership number.

No fee is required to become a member of the cooperative.

Section 3. PURCHASE OF ELECTRIC POWER AND ENERGY. Each member shall, as soon as electric power and energy shall be available, purchase from the cooperative all electric power and energy used on the premises specified in their application for membership, except power and energy generated on the premises for member's own use, and shall pay therefore no less than monthly, at rates which shall be fixed by the board of directors. It is expressly understood that amounts paid for electric power and 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. Each member shall pay to the cooperative such minimum amount per month, regardless of the amount of electric power and energy consumed, as shall be fixed by the board of directors. Each member shall also pay all amounts owed to the cooperative as and when the same shall become due and payable.

Section 4. PURCHASE OF ELECTRIC POWER AND ENERGY BY NON-MEMBERS. The cooperative may furnish electric power and energy to non-members.

Section 5. NON-LIABILITY FOR DEBTS OF THE COOPERATIVE. The private property of the members of the cooperative shall be exempt from execution for the debts of the cooperative and no member shall be individually liable or responsible for any debts or liabilities of the cooperative.

Section 6. EXPULSION OF MEMBERS. The board of directors may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member if such member shall have violated or refused to comply with any of the provisions of the articles of incorporation of the cooperative, or these bylaws, or any rules or regulations adopted by the board of directors. Any member so expelled may be reinstated as a member by a vote of the members at any annual or special meeting. The action of the members with respect to any such reinstatement shall be final.

Section 7. WITHDRAWAL OF MEMBERSHIP. Any member 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 8. TRANSFER AND TERMINATION OF MEMBERSHIP. Membership in the cooperative shall not be transferable except as hereinafter otherwise provided, and upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the cooperative.

A membership may be transferred by a member to himself or herself and any two or more natural persons, as the case may be, jointly upon the written request of such member and compliance by such two or more natural persons jointly with the provisions of subdivisions (a) and (b) of Section 1 of this Article I. Such transfer shall be made and recorded on the books of the cooperative.

When a membership is held jointly by two or more natural persons, upon the death of any natural person, such membership shall be deemed to be held solely by the survivor(s) with the same effect as though such membership had been originally issued solely to the surviving natural person(s), as the case may be, and the joint membership may be surrendered by the survivor(s) and, upon the recording of such death on the books of the cooperative, the membership may be reissued to and in the name of such survivor(s), provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the cooperative.

Section 9. REMOVAL OF DIRECTORS. 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 then-total members 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 to specify the place, time and date not more than forty-five (45) days after the filing of such petition or requests that the matter be acted upon at the subsequent annual member meeting if such meeting will be held no sooner than forty-five (45) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(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 billed by the cooperative and shall state the signatory's address as the same appears on such billings.

Notice of the petition setting forth the charge(s) verbatim, the director(s) against whom the charge(s) have been made, 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 ten (10) days prior to the member meeting at which the matter will be acted upon. The Notice shall set forth the location and times the Petition may be examined by any member, including but not limited to the director(s) against whom charges have been made, or his/her designated representative.)

The director(s) against whom charges have been made shall be informed in writing of the charge(s) after the petition has 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. The director(s) shall have an opportunity at the annual or special meeting to be heard in person, and/or by counsel and to present witnesses and/or evidence in respect of the charge(s). 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. The decision as to whether the properly charged director(s) is removed shall be determined by a majority vote of the members attending the special or annual meeting. Only members attending the special or annual meeting in person may vote on the removal of a director.

If a director is removed by a majority vote of the members attending the annual or special meeting, the board of directors may replace the removed director(s) pursuant to Article III, Section 5 and the newly-appointed director(s) shall serve until the next annual meeting. To fill the vacated position(s) at the next annual meeting, the procedure set forth in Article III, section 4 shall be followed.

ARTICLE II

MEETINGS OF MEMBERS

Section 1. ANNUAL MEETING. The annual meeting of the members shall be held at such place in the Colorado or Utah certificated service area of the cooperative and at such time as may be selected by the board of directors of the cooperative, and at such meeting all business properly coming before the members shall be transacted, including the election of directors and the consideration of reports of the officers of said cooperative. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the cooperative.

Section 2. SPECIAL MEETINGS. Special meetings of the members may be called by at least four (4) directors or upon a written request signed by at least ten (10%) percent of all the members, and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the Colorado or Utah certificated service area of the cooperative specified in the notice of the special meeting.

Section 3. NOTICE OF MEMBER MEETINGS. Public notice of the time and place of the holding of each meeting shall be published not less than ten (10) nor more than thirty (30) days previous thereto in the newspaper printed in the county where the principal office of the cooperative is located, and if there be no such newspaper printed in the county where the principal office of the cooperative is located, then a newspaper printed in an adjoining county. Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called shall also be delivered not less than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the secretary, or by the person(s) calling the meeting, to each member; and no business shall be transacted at such special meeting except as shall be mentioned in the notice. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, addressed to the member at their address as it appears on the records of the cooperative, with postage thereon paid. 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. The date, time and location for the annual meeting will also be posted on the cooperative's website no less than six (6) months prior to the annual meeting.

Section 4. QUORUM. The quorum requirements at all meetings of the members shall be at least fifty (50) members in person for the transaction of business. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting without further notice. If the number of members attending the meeting plus the number of mail-in ballots total at least 50, there shall be no

quorum requirement and the ballots may be tallied for all issues properly brought before the membership on the ballot.

Section 5. VOTING. Each member of the cooperative shall be entitled to vote on all issues properly brought before the membership and shall be decided by a vote of a majority of the members voting thereon by mail or in person as provided by law, the articles of incorporation and these bylaws generally as follows:

- a) Members who vote by mail are not entitled to vote at the scheduled membership meeting.
- b) Natural persons may vote their membership on their own behalf.
- c) A partnership or limited partnership may vote its membership by any general partner.
- d) Corporations, associations, churches, school districts, and government subdivisions may vote their membership, provided there is a properly executed certification or resolution from the entity authorizing the holder of the same to cast the ballot.
- e) Trusts and Estates: A personal representative for an estate may vote for the estate, provided that copies of court-approved letters testamentary, or the legal equivalent, are on file with the cooperative and the voter is the authorized personal representative of the estate. A trustee for a trust may vote for the trust, provided that a Certificate of Trust, or the legal equivalent, is on file with the cooperative and the voter is an authorized trustee of the trust. The cooperative reserves the right to request proper identification of any individual so voting or to request such evidence as is necessary to establish the authority of a natural person's right to vote the membership of any entity not a natural person.
- f) If a joint membership is held, such membership shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.
- g) Voting by proxy or cumulative voting shall be prohibited.

Section 6. ORDER OF BUSINESS. The agenda and the order of business for all meetings of the members shall be established by the board of directors and noticed to the members pursuant to Article II, Section 3. The board of directors or the members themselves may establish a different order of business except for voting on all issues properly brought before the membership.

ARTICLE III

DIRECTORS

Section 1. GENERAL POWERS. The business and affairs of the cooperative shall be managed by a board of seven (7) directors which shall exercise all of the powers of the cooperative including the authority in its sole discretion to place any issue on the ballot at any regular or specially called membership meeting, except such as are by law or by the articles of incorporation of the cooperative or by these bylaws conferred upon or reserved to the members.

Section 2. QUALIFICATIONS AND TENURE. Directors serve for a term of four years and at each annual meeting, there shall be an election to fill the offices of those directors whose terms have expired that year.

To become or remain a director, the director shall:

- a) Be a member of the cooperative.
- b) Be a bona fide resident of the district represented.
- c) Be a citizen of the United States of America.

- d) Be at least eighteen (18) years of age.
- e) Not be an employee of the cooperative.

When a membership is held jointly by any two or more natural persons, any one natural person, but not more than one, may be elected a director, provided however, that none of the two or more natural persons shall be eligible to become or remain a director in the cooperative unless they meet the qualifications above set forth. Should said director die, there shall be no survivorship of the director's seat. Nothing in this section contained shall, or shall be construed to, affect in any manner the validity of any action taken at any meeting of the board of directors.

Section 3. VOTING DISTRICTS. The territory served or to be served is hereby divided into seven (7) districts, and each district shall be represented by one director.

Not less than one hundred twenty (120) days before any meeting of the members at which directors are to be elected, the board of directors shall review the composition of the districts and if it should be found that inequalities in representation have developed which can be corrected by a redelineation of districts, the board of directors shall reconstitute the districts so that each shall have as nearly as possible equality of representation. In case of extensions into territory not included in any district, members thereof shall be deemed to reside in that number district the boundary line of which is closest to such a member's premises.

The board of directors shall cause an updated map of revised director districts and a written description of such director districts to be available for public review at the principal office of the cooperative.

Section 4. NOMINATION OF DIRECTORS. Any member in good standing with the cooperative is eligible to submit a petition to become a candidate to serve on the board of directors.

Nominations to become a candidate to serve on the board of directors shall be by written petition only. Any petition for nomination shall be in writing and be signed by not less than fifteen (15) members of the cooperative who reside in the district for which the nomination is made. The cooperative will furnish official petition forms for this purpose. The official petition shall designate the name of the nominee, the term for which the nominee is being nominated and the director district for which the nomination is made.

Information on how to become a candidate and the schedule of elections shall be mailed to each member and posted on the cooperative's website no less than two (2) months before petitions to become a candidate are due. Mailing may be by any combination of a separate mailing, a bill stuffer or within the cooperative's monthly newsletter, if published.

All nominating petitions shall be filed at the office of the cooperative with the secretary at least forty-five (45) days but not more than ninety (90) days before the meeting at which board members are to be elected.

The secretary shall post a list of all qualifying candidates at the principal office of the cooperative at least forty-five (45) days before the annual meeting.

Nominations by petition will be the exclusive method of nomination.

Should there be only one nomination from each district open for election then no ballots will be mailed or cast and the candidate will be declared elected as a matter of law at the annual meeting or within five (5) days thereafter as provided by law.

Section 5. VACANCIES. Subject to the provisions of the bylaws, with respect to the removal of directors, vacancies occurring in the board of directors may be filled by a majority vote of the remaining directors, and directors thus appointed shall serve until the next annual meeting of the members or until their successors shall have qualified and shall have been elected. The member selected to fill a vacancy on the board of directors must reside in the same district as the vacated director.

Section 6. COMPENSATION. Directors as such shall not receive any salary for their services, but by resolution of the board of directors a fixed sum plus expenses of attendance, if any, may be allowed for attendance at each meeting of the board of directors, and such reasonable expenses entailed in attending state, regional, and national meetings. Except in emergencies, no director shall receive compensation for serving the cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the cooperative unless such compensation shall be specifically authorized by a vote of the members.

Section 7. RULES AND REGULATIONS. The board of directors shall have power to make and adopt such rules and regulations - not inconsistent with law, the articles of incorporation of the cooperative or these bylaws - as it may deem advisable for the management, administration and regulation of the business and affairs of the cooperative

Section 8. ACCOUNTING SYSTEM AND REPORTS. The board of directors shall cause to be established and maintained a complete accounting system, which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may be designated by the Administrator of the Rural Utilities Service of the United States of America. The board of directors shall also, after the close of each fiscal year, cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the cooperative. A report of such audit shall be submitted to the members at the following annual meeting.

Section 9. CHANGE IN RATES. Written notice of a change in rates shall be given in accordance with the cooperative's lender requirements and the law. If no notice is required or if such notice is required less than thirty (30) days prior to the date any proposed rate change or rule change may take effect, then such notice shall be given to the consumers not less than thirty (30) days prior to the date upon which any proposed change in rates or rules and regulations are to become effective.

ARTICLE IV

MEETINGS OF DIRECTORS

Section 1. REGULAR MEETINGS. A regular meeting of the board of directors shall be held monthly at such time and place within the Colorado or Utah certificated service area of the cooperative as designated by the board of directors, upon notice to be given as hereinafter provided. All meetings of the cooperative are declared to be open meetings and open to the members, consumers and news media at all times; but the cooperative, by a two-thirds (2/3) affirmative vote of the board members present, may go into executive session for consideration of documents or testimony given in confidence, but the co-

operative shall not make final policy decisions or adopt or approve any resolution, rule, regulation, or formal action, any contract, or any action calling for the payment of money at any session which is closed to the members, consumers and news media.

Prior to the time the board of directors convenes in executive session, the board shall announce the general topic of the executive session.

Any action taken contrary to the provisions of this section shall be null and void and without force or effect.

Section 2. SPECIAL MEETINGS. Special meetings of the board may be called by the president or any three (3) directors, and it shall thereupon be the duty of the secretary to cause notice of such meetings to be given as hereinafter provided. The president or board members calling the meeting shall fix the time and place of the meeting.

Section 3. NOTICE. Written notice of the time, place and purpose of any meeting of the board of directors shall be delivered to each board member either personally or by mail, by or at the direction of the secretary, or upon a default by the secretary, by the president or the board members calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to each board member at their address as it appears on the records of the cooperative, with postage thereon prepaid, at least five (5) days before the date of the meeting.

Notice of the time and place of a meeting of the board of directors and a copy of the agenda for such meeting shall be posted in every service office maintained by the cooperative at least ten (10) days before the meeting. The agenda shall specifically designate the issues or questions to be discussed, or the actions to be taken, at the meeting. Copies of said agenda shall be available at each service office for members and consumers. Notwithstanding this paragraph, special meetings are authorized to address emergency situations beyond the control of the board of directors.

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 is present at said meeting, a majority of the directors present may adjourn the meeting without further notice.

Section 5. ATTENDANCE. If a director is absent from three (3) consecutive regular meetings, without cause, or fails to attend a minimum of two-thirds (2/3) of all regular meetings of the board during any year, without cause, beginning on the first day of the month following the annual meeting of the members, the director shall be automatically deemed to have submitted their resignation. The director shall then be advised that the resignation shall be voted upon at the next regular meeting. The director may attend the next meeting and request that the resignation be withdrawn. The board shall then vote, at the next regular meeting, on whether to accept the resignation or allow it to be withdrawn. If it is accepted, the board shall fill the vacancy as indicated in Article III, Section 5 of these bylaws.

Section 6. TELEPHONE MEETINGS. The Board President or a majority of the board of directors may permit any director (or any member of a committee designated by the board) to participate in a meeting of the board of directors or a committee thereof through the use of any means of communication by which all directors participating in the meeting can hear each other during the meeting. A director participating in a meeting in this manner is deemed to be present in person at the meeting.

ARTICLE V

OFFICERS

Section 1. NUMBER. The officers of the cooperative shall be a president, vice-president, secretary and treasurer. The offices of secretary and treasurer may be held by the same person.

Section 2. ELECTION AND TERM OF OFFICE. The officers may be elected by ballot, annually, by and from the board of directors at a meeting of the board of directors held with proper notice immediately after certification of the election results following the annual meeting of the members. If the election of officers is not held at such meeting, such election shall be held at the next meeting of the board of directors. Each officer shall hold office until the first meeting of the board of directors following the next succeeding annual meeting of the members or until their successor shall have been elected.

Section 3. REMOVAL. Any officer or agent elected or appointed by the board of directors may be removed by the board of directors whenever in its judgment the best interests of the cooperative will be served thereby.

Section 4. VACANCIES. Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the board of directors for the unexpired portion of the term.

Section 5. OFFICERS. The officers shall have the following duties and obligations, which may be delegated all or in part by board of director approval as deemed expedient, to some other officer or agent of the cooperative, unless expressly prohibited by the articles of incorporation, these bylaws or by law:

The president shall:

- a) be the principal executive officer of the cooperative and shall preside at all meetings of the members and of the board of directors;
- 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, unless required by law to be otherwise signed or executed; and
- c) perform all duties incident to the office of president and such other duties as may be prescribed by the board of directors.

The vice-president shall:

In the absence of the president, or in the event of the president's inability or refusal to act, perform the duties of the president, and when so acting, shall have all the powers of and be subjected to all the restrictions upon the president and perform such other duties as may be assigned by the board of directors.

The secretary shall:

- a) keep the minutes of the meetings of the members and the board of directors in one or more books provided for that purpose;
- b) provide that all notices are duly given in accordance with these bylaws or as required by law;
- c) be the custodian of the corporate records and of the seal of the cooperative and insure 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;
- d) keep a register of the post office address of each member which is furnished by such member;
- e) have general charge of the books of the cooperative in which record of the members is kept;

- f) keep on file at all times a complete copy of the bylaws of the cooperative containing all amendments thereto, which copy shall always be open to inspection by any member, and at the expense of the cooperative forward a copy of the bylaws and all amendments thereto to each member, upon request; and
- g) perform all duties incident to the offices of secretary and such other duties as may be assigned by the board of directors.

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 all such monies in the name of the cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and
- c) perform all the duties incident to the office of treasurer and such other duties as may be assigned by the board of directors.

Section 6. GENERAL MANAGER. The board of directors may appoint a general manager who shall be required to be a member of the cooperative and reside within the cooperative's certificated service area. The general manager shall perform such duties as the board of directors may require and shall have such authority as the board of directors may vest.

Section 7. BOND OF OFFICERS. The board of directors shall require the treasurer or any other officer 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.

Section 8. COMPENSATION. The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director, shall be determined by the members, as provided elsewhere in these bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed by the board of directors.

Section 9. 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.

Section 10. INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES. Each director, officer and employee of the cooperative, now or hereafter serving as such, shall be indemnified by the cooperative against any and all claims and liabilities, whether civil, criminal, administrative or investigative (other than an action by or in the right of the cooperative) to which they have or shall become subject by reason of any action alleged to have been taken, omitted, or neglected, while serving as such, if such director acted in good faith and in such a manner that they reasonably believed to be in, or not opposed to, the best interests of the cooperative, and with respect to any criminal action or proceedings, such director had no reasonable cause to believe said conduct was unlawful; every director, officer or employee shall be indemnified against all expenses, court costs, expert witness fees, attorney fees, judgments, fines and amounts paid in settlement or satisfaction of judgment actually or reasonably incurred in connection with such action, suit or proceeding, provided such director, officer or employee was acting within the scope of employment at the time the claim arose.

The cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer or employee, against any liability asserted against them in any such capacity as stated in the immediately preceding paragraph. Indemnification by the cooperative will cover all amounts above and beyond policy coverage or items not included in coverages. The right of indemnification herein-above provided for shall not be exclusive of any rights to which any director, officer or employee of the cooperative may be entitled by law.

ARTICLE VI

CONTRACTS, CHECKS AND DEPOSITS

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 evidences of indebtedness issued in the name of the cooperative shall be signed by such officer or officers of the cooperative and in such manner as shall be determined by resolution of the board of directors.

Section 3. DEPOSITS. All funds of the cooperative shall be deposited to the credit of the cooperative in such bank or banks as the board of directors may select.

ARTICLE VII

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 patrons. No interest or dividends shall be paid or payable by the cooperative on any capital furnished by its patrons.

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 patrons, members and non-members alike, will, through their patronage, furnish capital for the cooperative. In order to induce patronage, and to assure that the cooperative will operate on a non-profit basis, the cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric power and energy in excess of operating costs and expenses properly chargeable against the furnishing of electric power and 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 patrons, members and non-members alike, as capital. The cooperative is obligated to pay, by credit to a capital account for each patron, all such amounts in excess of operating costs and expenses. The books and records of the cooperative shall be 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 patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the cooperative shall, within a reasonable time after the close of the fiscal year, notify each patron of the amount of capital so credited. All such amounts credited to the

capital account of any person shall have the same status as though they had been paid to the patron in cash, in pursuance of a legal obligation to do so, and the patron had then furnished the cooperative corresponding amounts of capital.

In the event of dissolution or liquidation of the cooperative, after all outstanding indebtedness of the cooperative shall have been paid, outstanding capital credit shall be retired without priority on a pro-rata basis before any payments are made on account of property rights of members. If at any time, prior to the 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 patrons' accounts may be retired in full or in part. The board of directors shall reasonably and fairly determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital. In no event, however, may any such capital be retired unless, after the proposed retirement, the capital of the cooperative shall equal at least the amount required by the Rural Utilities Service as total assets of the cooperative.

When retirement of capital is made pursuant hereto, the cooperative shall have the right to apply all or any part of the capital to be retired against any outstanding indebtedness of the patron. At any time prior to the retirement of capital under any provision of these bylaws, the board of directors shall have the power to retire capital credited to any patron against any outstanding indebtedness of the patron upon such terms and conditions as the board of directors shall determine in accordance with law and acting under policies of general application; provided, however, that the financial condition of the cooperative will not be impaired thereby.

Capital credited to the account of each patron shall be assignable only on the books of the cooperative, pursuant to written instructions from the assignor and only to successor in interest, or successors in occupancy in all or part of such patron's premises served by the cooperative, unless the board of directors, acting upon policies of general application shall determine otherwise.

Notwithstanding any other provisions of these bylaws, the board of directors, at its discretion, shall have the power at any time upon the death of any patron, who was a natural person, if the legal representatives of the estate shall request in writing, that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron, immediately upon such terms and conditions as the board of directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the cooperative will not be impaired thereby.

The patrons of the cooperative, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the cooperative and each patron, and both the cooperative and the patron are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of the cooperative by posting in a conspicuous place in the cooperative's office.

Section 3. PATRONAGE REFUNDS IN CONNECTION WITH FURNISHING OTHER SERVICES. In the event that the cooperative should engage in the business of furnishing goods or services other than electric power and energy, all amounts received and receivable in excess of costs and expenses properly chargeable against the furnishing of such goods or services, including but not limited to amounts received and receivable from subsidiaries of the cooperative, may be allocated and

retired to all members at the sole discretion of the board of directors, all in the best interest of the cooperative, as permitted by law and in a manner that shall not jeopardize the cooperative's non-profit basis.

Section 4. NOTIFICATION OF PATRONAGE CAPITAL CREDITS. On or before the first day of July of each year, the cooperative shall notify each patron of this cooperative by United States mail, addressed to such patron at their post office address as shown on the official records of the cooperative, the amount of their patronage credits accrued as of January 1 of each year. If such notice is returned to the cooperative, due to the patron having moved, being unclaimed or because of insufficient address, then and in such event such capital credit may be declared forfeited by the board of directors and under such terms and conditions as they may elect.

ARTICLE VIII

WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by these by-laws.

ARTICLE IX

DISPOSITION OF PROPERTY

If in its best interest, the cooperative, through the board of directors, may sell or otherwise dispose of its property.

However, a bona fide merger, consolidation or sale of the entire cooperative must be authorized by the affirmative vote of at least two-thirds (2/3) of the members with an active account voting by mail or in person at a special or annual meeting, and the notice of such meeting must clearly set forth the proposed sale and sufficiently describe the merger or consolidation.

For any sale or other disposition of property of the cooperative to be valid, the transaction shall comply with any applicable law or regulation, including but not limited to those pertaining to the National Rural Utilities Cooperative Finance Corporation, United States of America, Reconstruction Finance Corporation, or any agency or instrumentality thereof.

ARTICLE X

FISCAL YEAR

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

ARTICLE XI

MEMBERSHIP IN OTHER ORGANIZATIONS

The cooperative shall not become a member of any other competing electrical utility without an affirmative vote of the members at a meeting called as provided in these bylaws, and the notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business.

ARTICLE XII

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, Colorado".

ARTICLE XIII

AMENDMENTS

These bylaws may be altered, amended or repealed by a majority of the members voting thereon by mail or at the meeting, provided the notice shall have contained a copy of the proposed alteration or repeal. In order to have a proposed amendment placed on the ballot for consideration at a meeting of the members, a petition setting forth the proposed language for the alteration or repeal, and the signatures of one and one-half (1½) percent of the members, must be filed at the office of the cooperative with the secretary at least forty-five (45) days but not more than ninety (90) days before the meeting at which the members shall vote on the proposed alteration or repeal. The number of members comprising the one and one-half (1½) percent needed for signatures on the petition under this article shall be based on the number of enrolled members as of ninety (90) days before the meeting at which the members shall vote on the proposed alteration or repeal.

When local, state, or federal law is enacted rendering any or all of these bylaws in violation of the law, the board of directors shall be entitled to alter, amend, or repeal any or all of the applicable bylaws without a vote of the membership.