

NEW BYLAWS

VERDIGRIS VALLEY ELECTRIC COOPERATIVE, INCORPORATED

ARTICLE I

MEMBERSHIP

SECTION 1. REQUIREMENTS FOR MEMBERSHIP. Any person, firm, association, corporation or body politic or subdivision thereof will become a member of Verdigris Valley Electric Cooperative, Incorporated (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he, she or it has first:

- (a) Made a written application for membership therein;
- (b) Agreed to purchase from the Cooperative electric energy as hereinafter specified;
- (c) Agreed to comply with and be bound by the articles of incorporation and bylaws of the Cooperative, then existing or thereafter adopted, and any rules and regulations adopted by the board of trustees and the rules and regulations of any regulatory agency having lawful jurisdiction over the Cooperative; and
- (d) Paid the membership fee hereinafter specified.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferrable, except as provided by the bylaws.

SECTION 2. JOINT MEMBERSHIP. "Member" as used in these bylaws shall be deemed to be a jointly-held membership, when such membership is held in the name of either spouse, and any provisions relating to the rights and liabilities of any member or membership shall apply equally to the holders of such membership. Without limiting the generality of the foregoing, the effect of such joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall have the effect of constituting a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either but not both may be elected or appointed as an officer or trustee, provided that both meet the qualifications for such office.
- (h) In the event of disagreement, each spouse shall be entitled to case one-half (1/2) vote.

SECTION 3. *CONVERSION OF MEMBERSHIP.*

- (a) Upon the death of either spouse who is a party to the joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint, provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative or to allow the legal representative of the decedent's estate to request early retirement of capital credits earned by the joint membership. Upon legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one (1) 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.

SECTION 4. *MEMBERSHIP FEES.* The membership fee and conditions of refund shall be established by the trustees.

SECTION 5. *PURCHASE OF ELECTRIC ENERGY.*

- (a) Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in his or its applications for membership, and shall monthly pay therefor at rates which shall from time to time be fixed by the board of trustees and approved by such regulatory authority having jurisdiction to govern the rate making function of this Cooperative, if any; provided, however, that the board of trustees may, in its discretion and in the best interest of the Cooperative, limit the amount of electric energy which the Cooperative shall be required to furnish to any one member.
- (b) It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in the bylaws. Each member shall pay to the Cooperative such minimum amount, regardless of the amount of electric energy consumed, as shall be fixed by the board from time to time, and as may be reasonable. Each member shall also pay all amounts owned by him to the Cooperative as and when the same shall become due and payable.
- (c) Production or use of electric energy on the premises specified in a member's application for membership, regardless of the source thereof by means of facilities which may be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative, and in accordance with prevailing law or the rules and regulations of any governing body having jurisdiction over this Cooperative.

SECTION 6. ACCESS TO ELECTRICAL FACILITIES.

- (a) 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 electrical service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto for inspection, maintenance, replacement, relocation or repair thereof at all reasonable times.
- (b) 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 the members best efforts to prevent others from so doing. In no event shall the responsibility of the Cooperative extend beyond the point at which its service wires are attached to the meter loop provided for measuring electricity used on the premises, or beyond the combination circuit breaker-meter base panel if such is owned and maintained by the Cooperative, except that the Cooperative shall in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for services that may result from a malfunctioning of its metering equipment.

SECTION 7. TERMINATION OF MEMBERSHIP.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board of trustees may prescribe. The board of trustees may, by the affirmative vote of not less than two-thirds of all the trustees, expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws or rules or regulations adopted by the board of trustees, but only if such member shall have been given written notice by the Cooperative that such failure makes the member liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by majority vote of the board upon application thereto; and, further, any expelled member may be reinstated by majority vote of the members at any annual or special meeting PROVIDED, as a condition precedent to consideration of any application for reinstatement being considered at any annual or special meeting, written notice of a request for the same shall be delivered to the Cooperative at least five (5) days prior to such meeting. The membership of a member who for a period of six (6) months after service is available, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be cancelled by resolution of the board of trustees.
- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or the members estate from any debts due the Cooperative.

- (c) Except as provided in Section 3 hereinabove, the death of a natural person shall automatically terminate the 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 partnership, such membership shall continue to be held solely by such remaining partner or partners as were parties to the original membership and continue directly to occupy or use the premises covered by such membership.
- (d) Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service, unless such person applies for, and the board of trustees approves membership retroactively to the date on which such person first began receiving such service, in which event the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly.

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. *PROPERTY INTEREST OF MEMBERS.* Upon dissolution after (a) all debts and liabilities of the Cooperative shall have been paid, and (b) all capital furnished through patronage shall have been retired as provided in these bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten years next preceding the date of the filing of the certificate of dissolution, unless otherwise provided by law.

SECTION 2. *NON-LIABILITY FOR DEBTS OF THE COOPERATIVE.* The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

SECTION 3. *RIGHT OF MEMBER TO A HEARING ON GRIEVANCE.* Any member who has a complaint arising from any service performed by the Cooperative for that member, and who feels the complaint is not satisfactorily settled by discussion and negotiations with the proper operational personnel or staff of the Cooperative, shall submit a request in writing to the board of trustees of the Cooperative for an opportunity to present the members case to the board. The board shall arrange for the member's appearance before a regular meeting of the board and notify said member of the same not less than ten (10) days prior to such regular meeting. At such time, the member may present the grievance to the board and following the member's appearance, but not more than thirty (30) days thereafter, the board will inform the member, in writing, of its decision in the case. The decision of the board, as contained in the

notification to the member will be a final decision in all events, and no further right of hearing shall exist or be available to the aggrieved member.

ARTICLE III MEETINGS OF MEMBERS

SECTION 1. ANNUAL MEETING. The annual meeting of the members shall be held during the month of October of each year beginning with the year 1971 at such place within a county served by the Cooperative, as selected by the board of trustees and which shall be designated in the notice of the meeting, for the purpose of passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the board of trustees to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. SPECIAL MEETINGS. Special meetings of the members may be called by resolution of the board of trustees or upon a written request signed by any three trustees, by the president, or by ten percent or more 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 one (1) of the counties, and within the State of Oklahoma, served by the Cooperative as designated by the board and shall be specified in the notice of the special meeting.

SECTION 3. NOTICE OF MEMBERS' MEETINGS. Written or printed notice stating the place, day and hour of the meeting, and in case of special meeting or an annual meeting at which business other than that listed in Section 7 of this article is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than twenty-five days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the members address as it appears on the records of the Cooperative, with postage thereon prepaid. In case of a joint membership, notice given to either husband or wife shall be deemed notice to both. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. QUORUM. Five per centum (5%) of the members present in person shall constitute a quorum at all meetings of the members of the Cooperative. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice.

SECTION 5. VOTING. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions will be decided by a vote of the majority of the members voting thereon in person.

except as otherwise provided by law, the articles of incorporation or these bylaws. Voting by proxy shall not be permitted.

SECTION 6. MAIL VOTING. Any member who is absent from an annual meeting or special meeting of the members may vote by mail at such meeting upon any motion or resolution pertaining to the borrowing of funds from United States of America, or any agency or instrumentality thereof, or to any corporation or financial institution authorized to assist in the credit and financial needs of the Cooperative, or the sale, mortgage, lease or other disposition or encumbrance of the Cooperative's property to United States of America, or any agency or instrumentality thereof or in connection with an amendment to the articles of incorporation of the Cooperative. The Secretary shall be responsible for the enclosure with the notice of such meeting of an exact copy of such motion or resolution to be acted upon and such absent member shall express the members vote thereon by placing a cross (X) in the space provided therefor opposite each such motion or resolution. Such absent member shall enclose each such copy so marked in a sealed envelope bearing the members name and addressed to the Secretary. When such written vote so enclosed is received by mail from any absent member, it shall be counted as the vote of such member at such meeting. In case of a joint membership, if husband and wife are both absent from such meeting, a written vote received from either of them shall constitute one joint vote. The failure of any absent member to receive a copy of any such motion shall not invalidate any action which may be taken by the members at any such meeting.

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

1. Report as to which members are present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers.
5. Unfinished business.
6. New business.
7. Adjournment.

Notwithstanding the foregoing, the board of trustees, or the members themselves, may from time to time, establish a different order of business for the purpose of assuring the earlier consideration of any action upon any item of business, the transaction of which is necessary or desirable in advance of any other item of business: PROVIDED, that no business other than adjournment

of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

The president of the board of trustees of the Cooperative shall preside at all meetings of the board and members, unless determined otherwise by the board of trustees.

ARTICLE IV TRUSTEES

SECTION 1. GENERAL POWERS. The business and affairs of the Cooperative shall be managed by a board of nine trustees which shall exercise all of the powers of the Cooperative except such as are by law, the articles of incorporation or these bylaws conferred upon or reserved to the members.

SECTION 2. VOTING DISTRICTS. The territory served or to be served by the Cooperative shall be divided by the board of trustees into nine districts, each of which shall contain as nearly as possible the same number of members. Each district shall be represented by one trustee.

Not less than sixty days before any meeting of the members at which trustees are to be elected, the board of trustees shall review the composition of the several 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 trustees shall reconstitute the districts so that each shall contain as nearly as possible the same number of members.

SECTION 3. ELECTION OF TRUSTEES BY DISTRICTS. The board of trustees shall, at its meeting next preceding each annual meeting of the members, fix a date which shall not be less than 14 days nor more than 30 days after the annual meeting of the members, for the holding of a district meeting of its members in the districts which are to elect trustees for the purpose of electing from each district one trustee to serve as trustee of the Verdigris Valley Electric Cooperative, Incorporated.

The board of trustees shall call the meetings and cause notice of such district meetings to be mailed by the secretary to each member of said district not less than 10 days before the meeting. Each such district meeting shall be called to order by the trustee then representing such district, or in his absence by such other person as may be designated by the president or by a majority of members present at said district meeting. The members shall then proceed to elect a chairman, who shall be someone other than a trustee and a secretary to act for the duration of the meeting. The presence of at least 5% of the members of the Cooperative in such district at such duly called district meeting shall be necessary to constitute a quorum to transact business. The member in each voting district receiving the highest number of votes at the election held at such district meeting shall be elected as trustee of the Cooperative.

SECTION 4. QUALIFICATIONS, CLASSIFICATION AND TENURE.

The nine trustees of the Cooperative shall be, and are hereby divided into three (3) classes, for convenience, designated A, B and C. Class A trustees shall consist of trustees representing districts One (1), Three (3) and Five (5). Class B trustees shall consist of trustees representing districts Two (2), Four (4) and Six (6). Class C trustees shall consist of trustees representing districts Seven (7), Eight (8) and Nine (9).

Terms of classes of trustees shall be staggered so that one (1) class of trustees shall be elected annually, with trustees of Class C being elected in 1980, Class A in 1981 and Class B in 1982.

Each year, there shall be elected trustees to succeed all trustees whose terms of office shall expire at the time of holding such election. All duly elected and qualified trustees shall serve for the term of three (3) years, or until their successors are elected and qualified, subject to the provisions of these bylaws with respect to the removal of trustees.

No person shall be eligible to become or remain a trustee of the Cooperative who:

- (a) is not a member and bona fide resident in the area served or to be served by the Cooperative; or
- (b) is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative; or
- (c) has been convicted, pled guilty, or pled nolo contendere to a felony; or
- (d) is a close relative of an incumbent trustee or of an employee of the Cooperative; or
- (e) is or was an employee of the Cooperative during the preceding three years prior to time of filing or being nominated.

Upon establishment of the fact that a trustee is holding the office in violation of any of the foregoing provisions, the board of trustees shall remove such trustee from office.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the board of trustees.

SECTION 5. REMOVAL OF TRUSTEES BY MEMBERS. Any member may bring charges against a trustee by filing such charges in writing with the Secretary, together with a petition signed by at least ten per centum of the members or three hundred (300), whichever is the lesser and request the removal of such trustee by reason thereof. The trustee against whom such charges have been brought shall be informed in writing of the charges at least 20 days

prior to the meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against the trustee shall have the same opportunity. The question of the removal of such trustee shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to elections except that the new trustee must reside in the same district as the trustee in respect of whom the vacancy occurs.

SECTION 6. VACANCIES. Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of trustees by the members, a vacancy occurring in the board of trustees shall be filled by the affirmative vote of a majority of the remaining trustees for the unexpired portion of the term of the trustee in respect of whom the vacancy occurs. A member elected as trustee to fill a vacancy must reside in the same district as the trustee to whose office he succeeds.

SECTION 7. COMPENSATION. Trustees as such shall not receive any salary for their services, but by resolution of the board of trustees a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the board of trustees or for attending any meetings, conferences, training seminars, or any function related to the business of the Cooperative or performing any act in behalf of the Cooperative, and authorized by the board of trustees. No trustee shall receive compensation for serving the Cooperative in any other capacity, provided, however, that trustees shall be entitled to receive such benefits as may from time to time be offered trustees of all rural electric cooperatives under programs sponsored by the National Rural Electric Cooperative Association nor shall any close relative of a trustee receive compensation for serving the Cooperative, unless the payment of compensation shall specifically be authorized by a vote of the members or the service by such trustee or close relative shall have been certified by the board of trustees as an emergency measure.

ARTICLE V MEETINGS OF TRUSTEES

SECTION 1. REGULAR MEETINGS. A regular meeting of the board may be held without notice, other than this bylaw, immediately after, and at the same place as the annual meeting of the members. A regular meeting of the board shall also be held monthly at such time and place within the area served by the Cooperative, as the board may provide by resolution, unless all trustees consent to its being held in some other place in the State of Oklahoma, or elsewhere. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. SPECIAL MEETINGS. Special meetings of the board of trustees may be called by the President or by any three trustees, and it shall

thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or trustees calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 3. NOTICE OF TRUSTEES' MEETINGS. Written notice of the time, place and purpose of any special meeting of the board of trustees shall be delivered not less than five days previous thereto, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the trustees calling the meeting, to each trustee. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the trustee at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The attendance of a trustee at any meeting shall constitute a waiver of notice of such meeting, except in case a trustee shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 4. QUORUM. A majority of the board of trustees shall constitute a quorum, provided that if less than such majority of the trustees is present at said meeting, a majority of the trustees present may adjourn the meeting from time to time; provided further, that the Secretary shall notify any absent trustee of the time and place of such adjourned meeting. The act of the majority of the trustees present at a meeting at which a quorum is present shall be the act of the board of trustees except as otherwise provided in these bylaws.

SECTION 5. ATTENDANCE. Any trustee who shall fail to attend, at a minimum, nine (9) of every twelve (12) consecutive regularly scheduled board meetings shall automatically lose his status as a trustee and the remaining trustees shall declare a vacancy on the board from the district represented by such trustee to be filled in accordance with these bylaws, unless the remainder of the board of trustees determines that such absences should be excused for justifiable cause.

ARTICLE VI OFFICERS

SECTION 1. NUMBER. The officers of the Cooperative shall consist of a President, a Vice-President, a Secretary and a Treasurer. The board of trustees may also elect or appoint such other officers, agents or employees, as it shall deem necessary or advisable, and shall prescribe the powers and duties thereof. The offices of Secretary and of Treasurer may be held by the same person.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers shall be elected by ballot annually, by and from the board of trustees at the meeting of the board of trustees held directly after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold

office until the first meeting of the board of trustees following the next succeeding annual meeting of the members or until a successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the board of trustees for the unexpired portion of the term.

SECTION 3. REMOVAL OF OFFICERS AND AGENTS BY TRUSTEES. Any officer or agent elected or appointed by the board of trustees may be removed by the board of trustees whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer by filing such charges in writing with the Secretary, together with a petition signed by ten per centum of the members, or three hundred (300), whichever is the lesser, and request the removal of the particular officer by reason thereof. The officer against whom such charges have been brought shall be informed in writing of the charges at least 20 days prior to the meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges shall have the same opportunity. In the event the board does not remove such officer, the question of removal shall be considered and voted upon at the next regular or special meeting of the members.

SECTION 4. PRESIDENT. The President shall;

- (a) be the principal executive officer of the Cooperative and, unless otherwise determined by the members of the board of trustees, shall preside at all meetings of the members and the board of trustees;
- (b) sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of trustees to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of trustees 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 trustees from time to time.

SECTION 5. VICE PRESIDENT. In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned by the board of trustees.

SECTION 6. SECRETARY. The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the board of trustees;
- (b) seeing that all notices are duly given in accordance with these bylaws or as required by law;

- (c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provision of these bylaws;
- (d) keeping a register of the names and post office addresses of all members;
- (e) keeping on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of the bylaws and of all amendments thereto to any member upon request; and
- (f) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the board of trustees.

SECTION 7. TREASURER. The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Cooperative;
- (b) the receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and
- (c) the general performance of all the duties incident to the office of the Treasurer and such other duties as from time to time may be assigned by the board of trustees.

SECTION 8. DELEGATION OR SECRETARY'S AND TREASURER'S RESPONSIBILITY. Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6 and 7 of this Article, the board of trustees, by resolution, may, except as otherwise limited by law, delegate wholly or in part, the responsibility and authority for, and the regular and routine administration of, one (1) or more of such officers' duties to one (1) or more agents or other officers of the Cooperative who are not trustees. To the extent that the board does so delegate with respect to either such officer, that officer as such shall be relieved from such duties, responsibilities and authorities.

SECTION 9. MANAGER. The board of trustees may appoint a manager who may be, but shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the board of trustees may from time to time vest in said manager.

SECTION 10. BONDS OF OFFICERS. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the board of trustees shall determine. The board of trustees at its discretion may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

SECTION 11. COMPENSATION. The powers, duties and compensation of any officers, agents and employees shall be fixed by the board of trustees,

subject to the provisions of these bylaws with respect to compensation for trustees and close relatives of trustees.

SECTION 12. *REPORTS.* The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII DISTRICT MEETINGS

SECTION 1. *DISTRICT MEETINGS.* In addition to district meetings called for the purpose of electing trustees, meetings of the members within a particular district may be called by resolution of the board of trustees, or upon a written request signed by the trustee residing in the particular district, or by ten per centum or more of the members located within such district, for the purpose of making recommendations to the board of trustees or the entire membership with respect to any matters pertaining to the business 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. Such meeting may be held at any place within the district as specified in the notice of the meeting. The presence of at least fifteen per cent of the members of the Cooperative resident within the district at a duly called district meeting shall constitute a quorum. The members shall elect a chairman and a secretary to set for the duration of the meeting.

SECTION 2. *NOTICE OF DISTRICT MEETINGS.* Written or printed notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered not less than five days before such meeting, except that as to meetings at which a trustee is to be elected, the notice must be delivered not less than ten days before such meeting. Meetings shall be opened for discussion of any matters pertaining to the business of the Cooperative, regardless of whether or not such matters were listed in the notice of the meeting except that as to a meeting at which a trustee is to be elected, the notice must specify that such action is to be taken at the meeting.

ARTICLE VIII 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 energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital. The Cooperative is obligated to pay by credits 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 to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in case in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the board of trustees shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. The board of trustees shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital.

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

Notwithstanding any other provision of these bylaws, the board of trustees 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 his 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 trustees, 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.

It is the duty of every patron and of every person who has such capital credited to its or his account to cause the records of the Cooperative at all times to show its or his proper mailing address. The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. 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.

ARTICLE IX DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property except (a) property which, at the discretion of the board of trustees, neither is nor will be necessary or useful in operating and maintaining the facilities of the Cooperative; provided, however, that sales of such property shall not in any one (1) year exceed in value ten per centum (10%) of the value of all of the property of the Cooperative; (b) services of all kinds, including furnishings of electrical energy; and (c) personal property acquired for resale, unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all of the members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the board of trustees of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the board of trustees shall determine, to secure any indebtedness of the Cooperative to United States of America or any instrumentality or agency thereof, or to any corporation or financial institution authorized to assist in the credit and financial needs of rural electric cooperatives.

ARTICLE X FINANCIAL TRANSACTIONS

SECTION 1. CONTRACTS. Except as otherwise provided in these bylaws, the board of trustees 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 and/or countersigned by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the board of trustees.

SECTION 3. DEPOSITS. All funds, except petty cash, of the Cooperative shall be deposited from time to time to the credit of the Cooperative in securities of the United States Government, certificates of deposit, National Rural Utilities Cooperative Finance Corporation (CFC), federally insured banks or savings and loan institutions, or other REA approved institutions or depositories, as the board may select.

SECTION 4. CHANGE IN RATES. Written notice shall be given to the Administrator of the Rural Electrification Administration of the United States of America not less than ninety days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

SECTION 5. FISCAL YEAR. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

ARTICLE XI

SEAL

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

ARTICLE XII

MISCELLANEOUS

SECTION 1. MEMBERSHIP IN OTHER ORGANIZATIONS. The Cooperative shall not become a member or purchase stock in any other organization without an affirmative vote of not less than two-thirds ($\frac{2}{3}$) or all the trustees at a regular or special meeting of trustees, provided that the notice of such meeting shall specify the organization and action to be taken upon such proposed membership; and provided, further, however, that the Cooperative may, upon the authorization of the board, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification, and such other organizations as the board of trustees may determine beneficial to the Cooperative, or with the approval of the Administrator of REA, of any other corporation for the purpose of acquiring electric facilities.

SECTION 2. WAIVER OF NOTICE. Any member of trustee may waive, in writing, any notice of a meeting required to be given by these bylaws. The attendance of a member or trustee at any meeting shall constitute a waiver of notice of such meeting by such member or trustee, except in case a member or trustee shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 3. POLICIES, RULES AND REGULATIONS. The board of trustees shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the articles of incorporation or these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 4. ACCOUNTING SYSTEM AND REPORTS. The board of trustees shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of a regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Electrification Administration of the United States of America. The board of trustees shall also, after the close of each fiscal year, cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year.

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

ARTICLE XIII AMENDMENTS

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

ARTICLE XIV INDEMNIFICATION

SECTION 1. INDEMNIFICATION OF OFFICERS, TRUSTEES, EMPLOYEES AND AGENTS.

- (a) The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed actions, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that said person is or was a trustee, officer, employee or agent of the Cooperative or is or was serving at the request of the Cooperative as a trustee, officer, employee or agent of another cooperative, corporation, partnership, joint venture, trust or other enterprise, for all expenses (including attorneys'

fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred in connection with such action, suit, or proceeding, if said person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interest of the Cooperative, and with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful; provided, however, that such indemnity shall not include any expenses incurred by any such person in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of said persons duty to the Cooperative, except as provided by law.

- (b) In no event shall anything contained hereinabove be construed so as to protect, or to authorize the cooperative to indemnify any such person against any liability to the Cooperative or to its members to which said person would otherwise be subject by reason of said persons willful malfeasance, bad faith, gross negligence or reckless disregard of the members' rights and duties involved in the conduct of said persons of-
fice as such trustee, officer, employee or agent.
- (c) The indemnification provided hereinabove shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of members or disinterested trustee or otherwise, and shall not in any way limit any right which the Cooperative may have to make different or further indemnifications with respect to the same or different persons or classes of persons, and as provided by law.
- (d) The foregoing right of indemnification shall inure to the benefit of the heirs, executors, or administrators of any such person, trustee, officer, employee or agent, and shall be in addition to all other rights to which such person may be entitled as a matter of law.

SECTION 2. LIABILITY INSURANCE. The Cooperative may purchase and maintain, at the discretion of its board of trustees, policies of liability insurance, with the premiums therefor paid by the Cooperative, and covering such of its trustees, officers, employees or agents, or any of them, and securing them against liability as provided in this Article.

SECTION 3. PROCEDURE POLICY. The board of trustees of the Cooperative shall adopt, by resolution, a policy not inconsistent with the provisions of this Article and in accordance with law, for the purpose of establishing procedure and guidelines for determination of any person's right to indemnification.

ARTICLE XV
SAVINGS CLAUSE

In the event any clause or provision of these bylaws shall be adjudged to be invalid or void, or determined to be in conflict with any existing laws, rules and regulations of the United States of America, State of Oklahoma, or any governing body having jurisdiction over the Cooperative, then and in that event, such laws, rules and regulations shall take precedence over the particular bylaw and the fact that any such clause or provision may be invalid or void shall not serve to invalidate the remaining bylaws, clauses or provisions contained herein.