

Bylaws of



Shelby Electric Cooperative

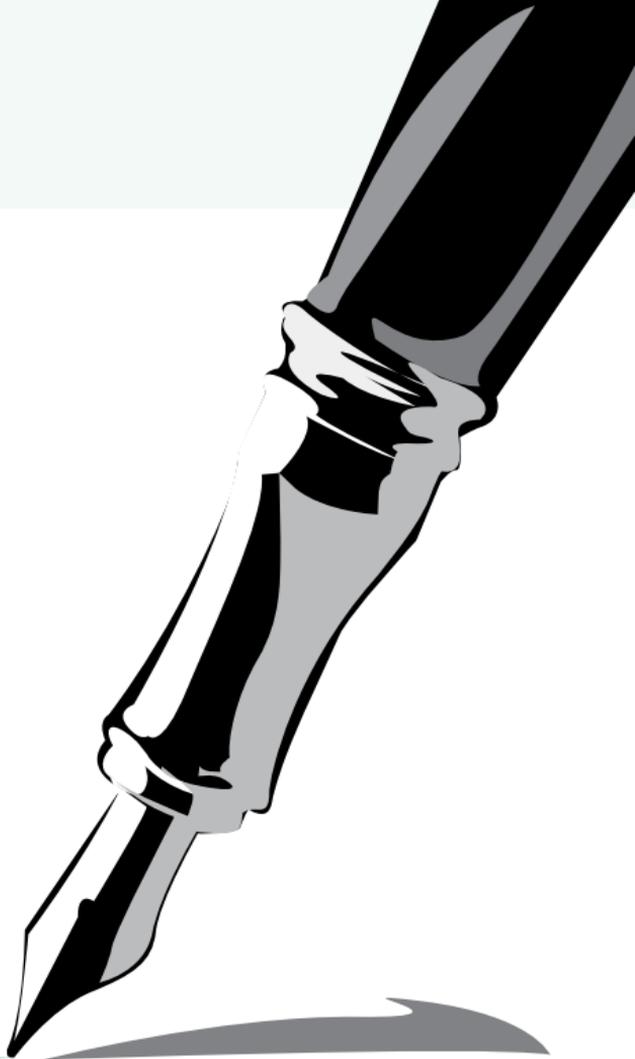
Your Touchstone Energy® Partner

The power of human connections



Shelbyville, Illinois

Revised June 17, 2016



SHELBY ELECTRIC COOPERATIVE *The aim of the Shelby Electric Cooperative (hereinafter called the “Cooperative”) is to make electric energy available to its members at the lowest cost consistent with sound economy and good management, and the Cooperative shall not be operated for pecuniary profit either to itself or to its members.*

**BYLAWS
ARTICLE I
Membership**

Section 1. Classes of Members. Shelby Electric Cooperative shall have two classes of members. Class A members shall receive electric energy services from the Cooperative, shall be entitled to be elected a director of the Cooperative, and shall have capital credits accrue based on their patronage for electric energy services.

Class A members shall be further classified as either “active Class A members” or “inactive Class A members.” All Class A members currently receiving electric energy services from the Cooperative shall be classified as “active Class A members.” Those persons or entities, having otherwise qualified for Class A membership in the Cooperative but who are not currently receiving electric energy services from the Cooperative shall be classified as “inactive Class A members.” Classification of membership from active Class A membership to inactive Class A membership, or vice versa, shall change at once without notice to said Class A member upon commencing to receive or ceasing to receive electric energy services from the Cooperative. Changes in classification from active Class A membership to inactive Class A membership shall not affect in any way the Class A member’s obligation for debts the Class A member may have incurred with the Cooperative or the patronage capital previously allocated to the Class A member.

Class B members shall receive services other than electric energy services from the Cooperative and shall have capital credits accrue based on their patronage for services other than electric energy services. Except as provided below, Class B members shall not be entitled to vote at any annual or special meeting of the members of the Cooperative, and shall not be eligible to serve as a director of the Cooperative, provided, that the Cooperative board of directors may, at its discretion, expand the number of Cooperative directors by up to two (2) additional directors to represent Class B members, after which Class B members would be eligible to serve as a director of the Cooperative representing Class B members, provided further, that if the Cooperative board of directors expands the number of Cooperative directors to represent Class B members, that Class A members would be entitled to vote only for the election of Class A directors and Class B members would be entitled to vote only for the election of Class B directors, provided further that the board of directors may appoint the initial director or directors to represent Class B members and that said director or directors shall serve a three-year term.

Section 2. Requirements for Membership for Class A Members. Any person or entity, including, but not limited to, a firm, association, corporation, partnership, limited liability company, trust, or body politic or subdivision thereof, will become a member of Shelby Electric Cooperative as a Class A member upon receipt of electric energy services from the Cooperative, provided that he or it has first:

- (a) Made a written application for membership therein;
- (b) Agreed to purchase from the Cooperative electric energy services as hereinafter specified;
- (c) Agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided by these bylaws. If a member receives electric energy services from the Cooperative, that member shall be a Class A member, and cannot also be a Class B member even if that member also receives services other than electric energy services from the Cooperative.

A person or entity, including, but not limited to, a firm, association, corporation, partnership, limited liability company, trust, or body politic or subdivision thereof, shall be ineligible to become a Class A member and to receive electric energy services from the Cooperative if the applicant for membership (1) occupies property that is also occupied by a Class A member or former Class A member who owes a delinquent bill for electric energy provided to the property and (2) occupied the property when the Class A member or former Class A member incurred the delinquent bill. If the applicant, Class A member, or former Class A member is a firm, association, corporation, partnership, limited liability company, or trust, each owner, partner, member, shareholder, or trustee of such firm, association, corporation, limited liability company, or trust shall be deemed to be the applicant, Class A member, or former Class A member for purposes of this provision.

Section 3. Requirements for Membership for Class B Members. Any person or entity, including, but not limited to, a firm, association, corporation, partnership, limited liability company, trust, or body politic or subdivision thereof will become a Class B member of the Cooperative upon receipt of services other than electric energy services from the Cooperative, provided that he or it has first:

- (a) Made a written application for membership therein;
- (b) Agreed to purchase from the Cooperative one or more of the services provided by the Cooperative other than electric energy services; and
- (c) Agreed to comply and be bound by the bylaws of the Cooperative and any rules or regulations adopted by the Board of Directors.

A Class B membership is nontransferable. If a Class B member begins to take electric energy services from the Cooperative, the

Class B member will become a Class A member and cease to be a Class B member even if continuing to receive services other than electric energy services from the Cooperative.

A person or entity, including, but not limited to, a firm, association, corporation, partnership, limited liability company, trust, or body politic or subdivision thereof, shall be ineligible to become a Class B member and to receive services other than electric energy services from the Cooperative if the applicant for membership (1) occupies property that is also occupied by a Class B member or former Class B member who owes a delinquent bill for services other than electric energy provided to the property and (2) occupied the property when the Class B member or former Class B member incurred the delinquent bill. If the applicant, Class B member, or former Class B member is a firm, association, corporation, partnership, limited liability company or trust, each owner, partner, member, shareholder, or trustee of such firm, association, corporation, partnership, limited liability company, or trust shall be deemed to be the applicant, Class B member, or former Class B member for purposes of this provision.

Section 5. Membership Certificates. Membership in the Cooperative shall be evidenced by either a Class A or Class B membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman and the Secretary of the Cooperative, and the corporate seal shall be affixed thereto. In case certificate is lost, destroyed, or mutilated, a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe.

Section 6. Joint Membership. Persons in a legally-recognized marriage or civil union may apply for a joint membership and subject to their compliance with the requirements set forth in Section 2 or Section 3 of this article, shall be accepted for such membership. The term “member” as used in these bylaws shall be deemed to include such persons holding a joint membership, and any provisions relating to the rights and liabilities of membership, without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect to the holders of the joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one (1) member and shall constitute a joint waiver of notice of meeting;
- (b) The vote of either separately or both jointly shall constitute one (1) joint 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; and
- (g) Either but not both may be elected or appointed as an of-

ficer or director, provided that both meet the qualifications for such office.

Section 7. Conversion of Membership.

- (a) A membership may be converted to a joint membership upon a written request of the holder thereof, and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, bylaws and the rules and regulations adopted by the Board of Directors. The outstanding membership certificate shall be surrendered and shall be reissued by the Cooperative in such a manner as shall indicate the changed membership status.
- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered and shall be reissued in such manner as shall indicate the changed membership status, provided however that the estate of the deceased shall not be released from debts due the Cooperative.

Section 8. Purchase of Electric Energy Services. Each Class A member shall purchase from the Cooperative all electric energy purchased for use on the premises specified in his Application for Membership, and shall pay therefore at rates which shall from time to time be fixed by the Board of Directors. If a member has more than one service, it may be separately metered and/or billed to the Member receiving such services. The member shall pay the rates for electric energy or other services, which shall from time to time be fixed by the Board of Directors. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with the Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Payment for electric services shall include, for each member, a subscription to the Illinois Country Living, or its successor publication, published by the Association of Illinois Electric Cooperatives, or a newsletter from the Cooperative. It is expressly understood that amounts paid for electric energy in excess of the cost of services, are furnished by members as capital, and each member shall be credited with the capital so furnished as provided in the bylaws. Each member who receives electric energy services shall pay to the Cooperative such minimum amount, regardless of the amount of electric energy purchased for use, as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

Section 9. Termination of Membership.

- (a) Any member, either a Class A or Class B, may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors may, by the affirmative vote of not less than two-thirds of all members of the Board of Directors, expel any member who fails

to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules or regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion, and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by a vote of the Board of Directors or by a vote of the members at an annual or special meeting. The membership of a Class A member who, for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, or a Class B member who has ceased to purchase services from the Cooperative other than electric energy services, may be canceled by resolution of the Board of Directors.

- (b) Upon the withdrawal, death, cessation of existence or expulsion of either a Class A or Class B member, the membership of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative and shall not affect patronage capital previously allocated to the Class A or Class B member.

ARTICLE II

Meetings of Members

Section 1. Annual Meeting. An annual meeting of the members shall be held between the 15th day of January and the 15th day of September, both dates inclusive, within the area served by the Cooperative, at such hour and place as shall be designated by resolution of the board of directors and specified in the notice of the meeting for the purpose of electing directors, passing upon reports covering the previous fiscal year, and transacting such other business as may come before the meeting. It shall be the responsibility of the board of directors to make adequate plans and preparations for the annual meeting. If the election of directors shall not be held on the day designated for any annual meeting or at any adjournment thereof, the board of directors shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. 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 three (3) directors or upon a written request signed by at least ten per centum (10%) 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 County of Shelby, Christian, Macon, Moultrie or Montgomery, in the State of Illinois specified in the notice of the special meeting.

Section 3. Notice of Members' Meeting. 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 be delivered not less than five (5) days nor more than sixty (60) days before the date of the meeting or in the case of a removal of one or more directors, a merger, consolidation, dissolution or sale, lease or exchange of assets not less than twenty (20) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the meeting, to each active Class A member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. In case of a joint membership, notice given to either person in such joint membership shall be deemed notice to both joint members. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Quorum. At least one hundred fifty (150) of the active Class A members present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members. In case of a joint membership, the presence at a meeting of either person in such joint membership, or both, shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present in person or represented by proxy may adjourn the meeting from time to time without further notice. For the purpose of establishing a quorum at any meeting of members, the Board of Directors shall provide for members to present, on the date of the meeting, such credentials as may be required to determine membership and to register the member's attendance at the meeting prior to the call to order of the meeting, and such members so registered prior to the call to order of the meeting shall be deemed present throughout the meeting.

Section 5. Voting. Except as provided in Article I Section 1, only active Class A members who have been Class A members of the Cooperative for forty-five (45) days prior to a meeting of members shall be entitled to a vote at any meeting of the members, and such active Class A member shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present all questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the articles of incorporation of the Cooperative, or these bylaws. If persons hold a joint membership they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. Subject to the provisions contained in these bylaws for voting by mail or through online internet voting, for the purpose of election of directors at a meeting of members, an active Class A member who has registered for the meeting shall be provided with a written ballot bearing the names

of all persons who have been nominated by petition in accordance with these bylaws prior to the meeting of the members, and said ballot may be cast by the active Class A member on the date of the meeting of members prior to or during the meeting of members until the voting is closed.

The Board of Directors, in its discretion, may determine that voting for the election of directors or for any other matter that may properly be brought before a meeting of members should be conducted exclusively by written ballots submitted by mail or through online internet voting, unless the laws of the State of Illinois, the articles of incorporation, or these bylaws provide otherwise. The Board of Directors shall establish such rules and procedures for the conduct of such voting by mail or such online internet voting, including the issuance and counting of ballots, as will assure the ability of members to vote in such elections or on other matters and will protect the integrity of the voting process.

When voting by active Class A members on any matter is to be conducted by mail or through online internet voting: (a) the Board of Directors shall fix a Voting Date for the return of the written ballots or the submission of online internet votes and shall mail notice of the matter to be voted upon and a written ballot, if applicable, for the voting to each active Class A member not less than fourteen (14) days before the Voting Date, (b) no voting on such matter shall be conducted at the meeting of the members, and (c) the results of such voting shall be announced at the meeting of members. In lieu of return of the written ballot by the United States mail, an active Class A member may deliver (personally, by courier or other means of physical delivery) the ballot to the Cooperative office by the Voting Date. A Class A member submitting a written ballot by mail or by delivery or voting through an online internet procedure shall comply with rules and procedures for voting and ballot certification adopted by the Board of Directors and included with the notice.

The term “Voting Date”, as used in these bylaws, shall mean the date and time by which a properly completed written ballot must be returned to and received by the Cooperative or a properly submitted online internet vote must be cast in order for such ballot or online internet vote to be included in the voting on the matter to be determined.

Section 6. Proxies and Persons Acting in Representative Capacities. At all meetings of members, an active Class A member may vote by proxy executed in writing by another active Class A member, provided however, only active Class A members can cast a proxy vote of another active Class A member. Such proxy shall be filed with the Secretary before or at the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. No active Class A member shall vote as proxy for more than one (1) absent active Class A

member at any meeting of the members. No proxy shall be valid after sixty (60) days from the date of its execution. The presence of an active Class A member at a meeting of the members, shall entitle him to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy, and said proxy shall be deemed revoked.

In case of a joint membership a proxy may be executed by either person holding such joint membership. The presence of either person holding a joint membership at a meeting of the members shall revoke a proxy theretofore executed by either of them, and such joint member or members shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed.

Notwithstanding the foregoing, if a member is an entity, such as a firm, association, corporation, partnership, limited liability company, or body politic, such firm, association, corporation, partnership, limited liability company, or body politic may designate an officer, director, partner, member, or agent of the firm, association, corporation, partnership, limited liability company, or body politic by bylaws or by action of the governing body to act on behalf of such firm, association, corporation, partnership, limited liability company, or body politic at meetings of members. Furthermore, the duly appointed executor, administrator, guardian, or conservator of an estate which is a member or whose ward, disabled person, or incompetent person is a member; the duly appointed attorney-in-fact under a power of attorney for the property of a member; or the trustee of a trust which is a member may act on behalf of such estate, ward, disabled person, incompetent person, principal or trust at meetings of members. The person seeking to act in any of the capacities set forth in this paragraph shall present acceptable evidence of such authority to the Board of Directors at or prior to the meeting of members.

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. Call of the roll.
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, and acting upon, reports of officers, directors and committees.
5. Election of Directors.
6. Unfinished business.
7. New business.
8. Adjournments.

ARTICLE III

Directors

Section 1. General Powers. The board of directors shall consist of seven (7) members. The Cooperative board of directors may, at its discretion, expand the number of Cooperative directors by up to two (2) additional directors to represent Class B members. Except as otherwise provided by law, the certificate of incorporation of the Cooperative or by these bylaws, the board of directors shall manage the business, affairs and property of the Cooperative, authorize contracts, fix charges for its services for furnishing electric energy to its members, and for other services rendered for and to its members, and shall otherwise manage the affairs of the Cooperative in such manner as may be necessary, convenient or proper in order to carry out its objects and purposes; provided, however, that the Cooperative shall not be operated for pecuniary profit either to itself or to its members.

Section 2. Director Districts. The Cooperative may equitably divide the general area in which Class A members are located or reside ("Cooperative Service Area") into seven (7) districts ("Director Districts"). If necessary, the board of directors may revise the Director Districts to ensure that Class A members are equitably represented by the Director Districts.

Within thirty (30) days following any Director District revision, and at least thirty (30) days before the next Annual Member Meeting, the Cooperative shall notify, in writing, any members affected by the Director District revision. No Director District revision may:

- (a) Increase an existing Director's term of office; or
- (b) Unless the affected Director consents in writing, shorten any Director's term of office.

Provided, that if the Cooperative board of directors expands the board of directors as outlined in Article I, Section 1 by up to two (2) directors to represent Class B members, such Class B directors so named by the board of directors or subsequently elected by the members shall serve at large.

Section 3. Qualifications and Term of Office. At each annual meeting of the members, directors shall be elected as hereinafter provided, by ballot, by and from the active Class A members who are natural persons, to serve for a term of three (3) years or until their successors shall have been elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of directors. The seven Directors shall be divided into three classes; Class I, consisting of two Directors to be elected from Director Districts 3 and 6; Class II, consisting of two Directors to be elected from Director Districts 4 and 5; and Class III, consisting of three Directors to be elected from Director Districts 1, 2 and 7, with one Class being elected each year. Except as provided herein, no member shall be eligible to become or remain a director or to hold any position of trust in the Cooperative (a) who is not a bona fide resident in the Director District established under Section 2 of this

Article from which he or she is to be or has been elected, (b) who is not at least eighteen (18) years of age, (c) who, at the time of an election of directors held after June 17, 2016, has completed six (6) or more three-year terms on the board of directors, or (d) who is in any way employed by or financially interested in (i) any business or enterprise engaged in the sale of any form of energy to the Cooperative (other than any form of energy that the Cooperative is required by law to purchase) or to any of the Cooperative's subsidiaries, members or consumers, (ii) any business or enterprise engaged in the delivery of any form of energy to the Cooperative or any of the Cooperative's subsidiaries, members or consumers, (iii) any other business or enterprise which is also engaged in by the Cooperative or its subsidiaries, either now or in the future, or (iv) any business or enterprise primarily engaged in selling electrical appliances, fixtures or supplies to the Cooperative or to any of the Cooperative's subsidiaries, members, or consumers, and no person shall take or hold office as a director who is the incumbent of or candidate for an elective public office in connection with which a salary is paid excluding township offices or school offices. Provided, however, that when a director moves his or her residence from the Director District served but is still within a 75 mile radius from the Cooperative's Shelbyville headquarters and remains a member of the Cooperative, the director may continue to serve until the normal expiration of his or her term or until a regular or special meeting of the members, whichever comes first, at which time an election shall be held to fill the unexpired term of the director. Further, so long as the National Rural Electric Cooperative Association shall provide a director training and certification program, no director shall be eligible to be re-elected as a director, after having served three full terms on the board of directors, commencing with the election of directors in 2017, or thereafter, unless he or she has been certified by said National Rural Electric Cooperative Association as having successfully completed its course of training for rural electric cooperative directors. When a membership is held jointly by persons under a joint membership, either one, but not both, may be elected a director, provided, however, that neither one shall be eligible to become or remain a director or to hold a position of trust in the Cooperative unless both shall meet the qualifications hereinabove set forth. Upon establishment of the fact that a director is holding office in violation of any of the foregoing qualification requirements, the board of directors may remove such director from office by the affirmative vote of the majority of the total membership of the board of directors. Nothing in this section contained shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the board of directors.

Section 4. Nominations. Any natural person who is an active Class A member (but not any person acting in a representative capacity for a Class A member) may be nominated to serve as a director from the Director District in which the active Class A member resides by delivering to the Secretary a written petition signed by fifteen (15) or more active Class A members not less than sixty (60) days prior to the meeting. At the time of deliver-

ing the signed written petition to the Secretary, the active Class A member shall also deliver to the Secretary a completed Statement of Qualifications demonstrating that he/she is qualified to serve as a director under the terms and provisions of Article III, Section 3 of these bylaws.

The President/Chief Executive Officer and legal counsel for the Cooperative shall review all Statements of Qualifications of all nominees to confirm that each nominee meets the qualifications set forth in Article III, Section 3 of these bylaws.

The Secretary shall mail with the notice of the meeting a statement of the number of directors to be elected and the nominations made by petition.

The members may, at any special meeting, called as hereinbefore provided, for the purpose of removing a director or directors, at which a director or directors is removed, elect a successor director or successors directors thereto who meet the qualifications set forth in Article III, Section 3 of these bylaws without compliance with the foregoing provisions with respect to nominations. Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

Section 5. Vacancies. Vacancies occurring in the board of directors shall be filled by a majority vote of the remaining directors. Directors so elected shall hold office for the remaining portion of the term of the director leaving the board of directors.

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 and expenses of attendance, if any, may be allowed for attendance at each meeting of the board of directors, or for each day that a director is absent from his home for the transaction of business of the Cooperative. 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. A "close relative" shall mean spouse, child, grandchild, parent, brother or sister, or child of a brother or sister, whether by blood or marriage, including "step" and "half" relationships.

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 certificate 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 appli-

cable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America or other generally accepted accounting principles. All accounts of the Cooperative shall be examined by the board of directors at regular meetings of the board of directors. The board of directors shall also within thirty (30) days after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be available to the members at the following annual meeting.

Section 9. Change in Rates. When required, written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America, the Federal Energy Regulatory Commission, or any lender, not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

ARTICLE IV **Meetings of Directors**

Section 1. Regular Meetings. A regular meeting of the board of directors shall be held without notice other than this bylaw, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the board of directors shall also be held monthly at such time and place in Shelbyville, Shelby County, Illinois, as the board of directors may provide by resolution. 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 directors may be called by the Chairman or any three (3) directors. The person or persons authorized to call special meetings of the board of directors may fix the time and place (which shall be in Shelby, Christian, Macon, Moultrie or Montgomery Counties, Illinois), for the holding of any special meeting of the board of directors called by them.

Section 3. Notice. Notice of the time, place and purpose of any special meeting of the board of directors shall be given at least five (5) days previous thereto, by written notice, delivered personally or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 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 from time to time without further notice.

Section 5. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors. Any action required to be taken or any action which may be taken at a meeting of the board of directors or at a committee of the board of directors may be taken without a meeting if consent in writing, setting forth the action so taken, shall be signed by all of the directors, or in the case of a committee of the board of directors, all of the committee members, entitled to vote with respect to the subject matter thereof. The use of electronic facsimiles or other media containing the subject matter and the director's or committee member's signature shall constitute written consent. Any action taken by written consent shall not be deemed a meeting of the board of directors for purposes of fees or compensation to the director, other than actual expenses incurred by the Director.

Section 6. Participation in Board of Directors Meetings. Directors may participate in and act at any meeting of the Board of Directors through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can communicate with each other.

Any director who fails, without reasonable excuse satisfactory as determined by the other members of the Board of Directors, to attend in person or by means of communications equipment three successive regular Board of Directors meetings shall not be eligible to serve as a director and shall be deemed to be removed from office as a director of the Cooperative.

ARTICLE V

Officers

Section 1. Number. The officers of the Cooperative shall be a Chairman, Vice-Chairman, Secretary and Treasurer. 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 directors at the first meeting of the board of directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the board of directors following the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers. No director shall serve as the Chairman of the board of directors for more than six consecutive years.

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. Chairman. The Chairman:

- (a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the board of directors;
- (b) shall sign, with the Secretary certificates of membership, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of directors or by these bylaws to some other officer or agent of the Cooperative, or shall be required bylaw to be otherwise signed or executed; and
- (c) in general shall perform all duties incident to the office of Chairman and such other duties as may be prescribed by the board of directors from time to time.

Section 6. Vice Chairman. In the absence of the Chairman, or in the event of his inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman and shall perform such other duties as from time to time may be assigned to him by the board of directors.

Section 7. Secretary. The Secretary shall:

- (a) keep the minutes of meetings of the members and the board of directors in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and 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 shall be furnished to the Secretary by such member;
- (e) sign with the Chairman certificates of membership;
- (f) have general charge of the books of the Cooperative in which a record of the members is kept;
- (g) 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 of any members and at the expense of the Cooperative furnish a copy of the bylaws and all amendments thereto to any

- member upon request; and
- (h) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the board of directors.

Section 8. Treasurer. The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for moneys due and payable to the Cooperative from any source whatsoever, and deposit all such moneys 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) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the board of directors.

Section 9. President/Chief Executive Officer. The board of directors may appoint a President/Chief Executive Officer who may be, but who shall not be required to be, a member of the Cooperative and who also may be designated President and Chief Executive Officer of the Cooperative. The President/Chief Executive Officer shall be an ex-officio, nonvoting member of the board of directors and shall perform such duties as the board of directors may from time to time vest in him.

Section 10. Bonds 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 for 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 11. 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 12. Reports.

- (a) 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.
- (b) The Chairman and Secretary or such other officer as shall be designated by the board of directors shall: make and verify a report in writing to the Secretary of State of the State of Illinois, upon the forms prescribed for the purpose, giving the address of the Cooperative, and the names and addresses of the officers and directors.

ARTICLE VI

Contracts, Checks and Deposits

Section 1. Contract. 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, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the board of directors.

Section 3. Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the board of directors may select.

ARTICLE VII

Membership Certificates

Section 1. Certificates of Membership. Membership in the Cooperative shall be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the board of directors not contrary to, or inconsistent with, the certificate of incorporation of the Cooperative or these bylaws. Such certificate shall be signed by the Chairman and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto.

Section 2. Lost Certificate. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Cooperative as the board of directors may prescribe.

ARTICLE VII-A

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 the furnishing of electric energy or other services, the Cooperative's operations shall be so conducted that all patrons 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 who use services for all amounts received and receivable from the furnishing of services in excess of operating costs and

expenses properly chargeable against the furnishing of services. The Board of Directors may, in its discretion, establish one or more classifications of electric or other services as a means of determining and assigning operating costs and expenses properly chargeable against the furnishing of such services. 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 as capital. The Cooperative is obligated to pay all credits to a capital account for each patron according to the electric or other services that they have received during the year on 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 as to allow the Cooperative to allocate capital credit according to the services provided to each patron of the Cooperative, and 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. 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 cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

Patronage capital allocated to the Cooperative by other organizations may, in the discretion of the Board of Directors, be separately allocated to the Cooperative's patrons on a patronage basis. All other amounts received by the Cooperative, including but not limited to non-operating income, in excess of costs and expenses may, in the discretion of the Board of Directors, and insofar as permitted by law, be allocated: (a) to offset any losses incurred during the current or any prior fiscal year, or (b) to reserves to offset any losses incurred in any prior, current or future fiscal year; or (c) to its patrons on a patronage basis, and included as part of the capital credited to the accounts of patrons, as hereinabove 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 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. Any such retirement of capital shall be made as provided by the board of directors in its sole discretion. In no event, however, may any such capital be retired unless, after the proposed retirement the capital of the Cooperative shall equal at least twenty per centum (20%) of the total assets of the Cooperative. After retiring, and before paying, patronage capital to a patron or former patron, the Cooperative shall have the right to, and shall, recoup, offset, or setoff any amount owed to the Cooperative by the patron or former

patron by reducing the amount of retired capital credits paid to the patron or former patron by the amount owed to the Cooperative.

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 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 directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these bylaws, the board of directors, at its discretion, shall have the power at any time upon the death of any patron, 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 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 shall not be impaired thereby.

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 VII-B

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 (10) years next preceding the date of the filing of the certificate of dissolution.

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 liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE VIII
Waiver of Notice

Any member or director may waive, in writing, any notice of meetings required to be given by these bylaws. In case of a joint membership a waiver of notice of such meeting may be executed by either of the joint members.

ARTICLE IX
Disposition of Property

The Cooperative may not sell, lease, exchange, transfer or otherwise dispose of all, or substantially all, of the Cooperative's property in other than the ordinary course of business unless such sale, lease exchange, transfer or other disposition is authorized at an annual or special meeting of the members by a two-thirds (2/3rds) vote of the members of the Cooperative present and voting and the notice of such proposed sale, lease, exchange, transfer or other disposition shall have been contained in the notice of the meeting given to all members entitled to vote not less than twenty (20) nor more than sixty (60) days before the date of the meeting.

Nothing contained herein shall limit the authority of the Board of Directors to borrow money to be used for Cooperative purposes and to secure the Cooperative's indebtedness by mortgage, pledge, deed of trust or other security instrument using all, or substantially all of the Cooperative's property as security for the Cooperative's indebtedness.

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 may, upon authorization of the Board of Directors, become a member of, or purchase stock in, any other organization, when in the judgment of the Board of Directors, such membership or purchase of stock will foster and further the aims and objectives of the Cooperative in furnishing low cost electric energy to its members.

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, Illinois".

ARTICLE XIII

Amendments

Section 1. Amendment of Articles. The articles of incorporation of the Cooperative may be amended from time to time in the following manner:

- (a) The board of directors shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the members, which may be either a regular annual meeting or a special meeting.
- (b) Written or printed notice setting forth the proposed amendment shall be given to each member within the time and in the manner provided in those bylaws for the giving of notice of meetings of members. If such meeting be a regular annual meeting, the proposed amendment may be included in the notice of such regular annual meeting.
- (c) At such meeting a vote of the members shall be taken on the proposed amendment and the proposed amendment shall be adopted upon receiving the affirmative vote of at least two-thirds (2/3rds) of those members present in person or represented by proxy at such meeting. Any number of amendments may be submitted to the members, and voted upon by them, at one meeting.

After the adoption of the amendment or amendments, the board of directors shall authorize the proper officers to take such further steps as may be required by law to effectuate the amendment or amendments to the certificate of incorporation.

Section 2. Amendment of Bylaws. 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 of Officers, Directors, Employees and Agents. The Cooperative shall indemnify the officers, directors, employees and agents of the Cooperative as provided in the Illinois Not-for-Profit Corporation Act or its successors, as such statute may, from time to time, be amended, and may purchase and maintain insurance for such indemnification.

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