

Bylaws

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Your Touchstone Energy® Cooperative 

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of the Central Electric Cooperative By-Laws

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Article I - Definitions

Section 1.01. General Provisions. Within these Bylaws of Central Electric Cooperative Association, as currently existing or as later amended (“Bylaws”):

1. Unless otherwise provided, words and phrases used in these Bylaws have their customary and ordinary meaning;
2. The singular use of any word includes the plural use, and the plural use of any word includes the singular use;
3. The masculine use of any word includes the feminine and neutral uses, the feminine use of any word includes the masculine and neutral uses, and the neutral use of any word includes the masculine and feminine uses;
4. The present tense of any word includes the past and future tenses, and the future tense of any word includes the present tense; and
5. The words “shall” and “must” indicate a mandatory action or requirement, and the word “may” indicates a permissive action or requirement.

Section 1.02. Defined Terms. These Bylaws define certain words and phrases within Bylaw sections (“Defined Terms”). Defined Terms are capitalized and enclosed within parenthesis and quotation marks following the Defined Term’s definition.

Unless the context requires otherwise, Defined Terms have the meaning specified in the appropriate Bylaw section. The following Defined Terms are defined in the following Bylaw sections:

“Affiliated Capital Credits” - defined in Article V, Section 5.02

“Annual Member Meeting” - defined in Article

III, Section 3.01

“Articles” - defined in Article II, Section 2.02

“Asset” - defined in Article V, Section 5.06

“Ballot” - defined in Article III, Section 3.07

“Board” - defined in Article II, Section 2.02

“Board Committee” - defined in Article IV, Section 4.20

“Board Executive Committee” - defined in Article IV, Section 4.21

“Board Meeting” - defined in Article IV, Section 4.16

“Bylaw Provisions” - defined in Article VI, Section 6.07

“Capital” - defined in Article V, Section 5.02

“Capital Credits” - defined in Article V, Section 5.02

“Close Relative” - defined in Article IV, Section 4.13

“Conflict of Interest Transaction” - defined in Article IV, Section 4.22

“Cooperative” - defined in Article II, Section 2.01

“Cooperative Equipment” - defined in Article II, Section 2.05

“Deceased Patron” - defined in Article V, Section 5.03

“Defined Terms” - defined in Article I, Section 1.02

“Director” - defined in Article II, Section 2.04

“Director-at-Large” - defined in Article IV, Section 4.03

“Director District” - defined in Article IV, Section 4.02

“Director District Meeting” - defined in Article III, Section 3.01

“Director Quorum” - defined in Article IV, Section 4.19

“Director Removal Petition” - defined in Article IV, Section 4.09

“Director Term” - defined in Article IV, Section 4.07

“Director Written Consent” - defined in Article IV, Section 4.18

“Drawing by Lot” – defined in Article IV, Section 4.06

“Electronic Communication” – defined in Article III, Section 3.05

“Governing Documents” - defined in Article II, Section 2.02

“Joint Member” -defined in Article II, Section 2.04

“Joint Membership” - defined in Article II, Section 2.04

“Law” - defined in Article II, Section 2.02

“Member” - defined in Article II, Section 2.02

“Member Committee” - defined in Article IV, Section 4.20

“Member Demand” - defined in Article III, Section 3.02

“Member Mail Ballot” - defined in Article III, Section 3.07

“Membership List” - defined in Article II, Section 2.10

“Member Meeting” - defined in Article III, Section 3.03

“Nominating Petitions” - defined in Article IV, Section 4.05

“Non-Member Non-Patrons” - defined in Article V, Section 5.04

“Non-Member Patrons” - defined in Article V, Section 5.04

“Non-Operating Margins” - defined in Article V, Section 5.02

“Operating Margins” - defined in Article V, Section 5.02

“Patron” - defined in Article V, Section 5.02

“Regular Board Meeting” - defined in Article IV, Section 4.14

“Required Officers” - defined in Article IV, Section 4.24

“Service” - defined in Article II, Section 2.02

“Special Board Meeting” - defined in Article IV, Section 4.15

“Special Member Meeting” - defined in Article III, Section 3.02

“Transfer” - defined in Article V, Section 5.06

“Total Membership” - defined in Article III, Section 3.02

Article II - Cooperative Membership

Section 2.01. Membership Eligibility. Any (1) natural person, (2) partnership, (3) limited partnership, (4) limited liability partnership, (5) limited liability limited partnership, (6) estate, (7) Trust, (8) association, (9) corporation, (10) limited liability company, (11) organization or other business entity, or (12) federal, state or tribal agency, political subdivision thereof as required or allowed by Law, using, receiving, or purchasing electric energy furnished by Central Electric Cooperative Association (“Cooperative”), is eligible to become a Member. A business entity such as those listed in (2), (3), (4), (5), (8), (9), (10), (11) and (12) above shall be considered entitled to a Membership provided such business entity is authorized, chartered, and recognized by the applicable governmental authority to conduct business in the Cooperative’s assigned service territory as defined by law.

No natural or unnatural person may hold more than one (1) Cooperative membership. Unless required by Law or otherwise provided in these Bylaws, no Cooperative membership, and no right or privilege associated with Cooperative membership, may be sold, purchased, assigned, or otherwise transferred.

Section 2.02. Automatic Membership.

Upon requesting the use of electric energy from the Cooperative, and the Cooperative agreeing to provide the same, and subject to the provisions of these Bylaws, the Person whose name the electrical service (“Service”) is registered automatically becomes a Member of the Cooperative effective the date the Service is registered in the Person’s name.

The Cooperative will send a letter to all new Members notifying them of such membership, which will include a copy of these Bylaws or any amendments thereto.

All Members of the Cooperative, as a result of such membership, agree to:

1. Comply with:
 - (a) All applicable law and legally binding agreements regarding the:
 - (i) Cooperative;
 - (ii) Cooperative’s operation;
 - (iii) Cooperative’s Assets;
 - (iv) Cooperative’s Members and Patrons; and
 - (v) Provision, use, receipt, and purchase of Cooperative Services, including, but not limited to, all applicable:
 - (vi) Legislative, executive, administrative, and judicial statutes, case law, regulations, ordinances, rulings, or orders;
 - (vii) Local, state, and federal statutes, case law, regulations, ordinances, rulings, or orders;
 - (viii) Contractual provisions legally enforceable by, or against, the Cooperative; and
 - (ix) Legally binding contracts between the Cooperative and the Member (collectively, “Law”);
 - (b) The Cooperative’s Articles of Incorporation (“Articles”);
 - (c) These Bylaws;
 - (d) The Cooperative’s service rules and regulations;
 - (e) The Cooperative’s rate or price schedules; and
 - (f) Any policy, resolution, action, or amendment adopted by the Cooperative’s board of directors (“Board”) or membership; as any of these materials currently exist, or as later amended, (collectively, “Governing

Documents”); and

2. Be a Member; and
3. At prices, rates, or amounts determined by the Board, and in a manner specified by the Cooperative, pay the Cooperative for all:
 - (a) Electric energy used, received, or purchased:
 - (i) By the Member; or
 - (ii) At, or for, any dwelling or structure owned, controlled, or directly occupied by the Member; and further pay the Cooperative for all
 - (b) Dues, assessments, fees, deposits, contributions, or other amounts required by these Bylaws or the Board.
4. Unless waived in writing by the Board, or waived pursuant to Board policy generally applicable to all Members, pay the Cooperative any outstanding amounts owed the Cooperative by the Member.

If the Board determines that any Person is unable to comply with the Governing Documents, then the Board may refuse the Person membership in the Cooperative. For other good cause determined by the Board, the Board may refuse a Person membership in the Cooperative.

If the Board refuses membership to any Person, then the Cooperative shall return to the Person any amounts paid to the Cooperative by the Person as part of the Membership Procedure other than:

1. Amounts paid for using, receiving, or purchasing any Cooperative Service; and
2. Outstanding amounts previously owed the Cooperative, and any associated interest or late payment charges.

Section 2.03. Governing Documents. Every Member shall follow, abide by, and be legally bound to, the Governing Documents. As provided in these Bylaws, the Cooperative may terminate any Member or Cooperative Service for the Member’s failure to follow, abide by, or be legally bound to, the Governing Documents.

Section 2.04. Joint Membership. A natural person Member may apply at any time for the conversion to a joint membership limited to two (2) natural persons only, principally residing in the same location (“Joint Membership”).

A. Creating Joint Memberships. Two (2) natural persons principally residing at the same location may request that their service be placed in Joint Membership. By written request, any Member may request to convert the Member’s individual membership to a Joint Membership with the Member’s spouse principally residing at the same location as the Member.

B. Joint Member Rights and Obligations. Unless denied membership as provided by these Bylaws, and unless otherwise specified in these bylaws, each natural person comprising a Joint Membership (“Joint Member”) has and may enjoy all the rights, benefits, and privileges, and is subject to all the obligations, requirements, and liabilities, of being a Member. As used in these Bylaws, and unless otherwise provided in these Bylaws, Membership includes any Joint Membership, and Member includes any Joint Member.

C. Effect of Joint Member Actions. For each Joint Membership:

1. Notice of any meeting provided to either Joint Member, or waiver of notice of any meeting signed by either Joint Member, constitutes notice or waiver of notice for both Joint Members comprising the Joint

- Membership;
2. The presence of either, or both Joint Members at any meeting:
 - (a) Constitutes the presence of one (1) Member at the meeting;
 - (b) Waives notice of the meeting for both Joint Members comprising the Joint Membership;
 3. The vote of any Joint Member shall constitute one (1) vote; no split vote shall be permitted;
 4. Except for the death of a Joint Member, which is addressed elsewhere in these Bylaws, the suspension or termination of either Joint Member constitutes suspension or termination of both Joint Members; and
 5. A Joint Member otherwise qualified is eligible to serve as a member of the Board (“Director”). If both Joint Members are otherwise qualified to serve as a Director, then either Joint Member, but not both Joint Members simultaneously, is eligible to serve as a Director.

D. Joint Membership Conversion and Termination. Upon a death or divorce between Joint Members:

1. If one (1) Joint Member continues to legally use, receive, or purchase electric energy at the same location, then the Joint Membership converts to a membership in the name of the Joint Member continuing to legally use, receive, or purchase a Cooperative Service at the same location;
2. If both Joint Members continue to legally use, receive, or purchase a Cooperative Service at the same location, then the Joint Membership converts to a membership in the name of the Joint Member determined by the Cooperative; or
3. If neither Joint Member continues

to legally use, receive, or purchase a Cooperative Service at the same location, then the Joint Membership terminates.

Section 2.05. Provision of Cooperative Services. The Cooperative shall provide electric energy to Members in a reasonable manner. The Cooperative, however, neither guarantees nor warrants continuous or flawless provision of electric energy or other cooperative services. The Cooperative’s responsibility and liability for providing electric energy terminates upon delivery of any electric energy or other cooperative services to a Member or other Person acting for a Member.

After providing the Member reasonable notice and an opportunity to comment orally or in writing, the Cooperative may suspend or terminate provision of any Cooperative Services to any Member.

Upon the happening of any of the following, the Cooperative, without providing the Member notice or an opportunity to comment, may suspend the Member and may suspend or terminate Cooperative services to the Member:

1. Determining that a Member has tampered or interfered with, damaged, or impaired any product, equipment, structure, or facility furnished or used by the Cooperative to provide, monitor, measure, or maintain any Cooperative Service (“Cooperative Equipment”);
2. Discovering the unsafe condition of any Cooperative Equipment; or
3. Discovering any imminent hazard or danger posed by any Cooperative Equipment;

Section 2.06. Purchase of Electric Energy. As required or allowed by Law, and unless otherwise specified in writing by the Board, each Member shall use, receive, or purchase

electric energy from the Cooperative. Each Member shall comply with, and abide by, any policy, program, rule, procedure, or other determination promulgated by the Board regarding the provision of electric energy to the Member.

- A. Reliability. The Cooperative shall make all reasonable effort to furnish the membership with adequate and dependable electric service but does not or cannot guarantee a continuous and uninterrupted supply.
- B. Payments to Cooperative. At prices, rates, or amounts determined by the Board, and in a manner specified by the Cooperative, each Member shall pay the Cooperative for all:

Electric energy and/or other Cooperative services used, received, or purchased by the Member or at, or for, any dwelling or structure owned, controlled, or directly occupied by the Member; and

Dues, assessments, fees, deposits, contributions, or other amounts required by Law, these Bylaws, or the Board.

C. Interest and Late Payment Fees. As determined by the Board, Members shall pay interest and late payment fees for all amounts owed, but not timely paid, to the Cooperative. Notwithstanding the Cooperative's accounting procedures, the Cooperative may apply all amounts paid by any Member to all of the Member's accounts on a pro rata basis, or as otherwise determined by the Board.

D. Reduction in Electric Energy Purchases/ Co-Generation. As required or allowed by Law, and as determined by the Board:

If a Member substantially reduces or ceases the Member's use, receipt, or purchase of electric energy, either singly or in combination; then The Cooperative may charge the Member,

and the Member shall pay the Cooperative, the reasonable costs and expenses incurred by the Cooperative in relying upon the Member's pre-reduction or pre-ceasing use, receipt, or purchase of electric energy.

If a Member has a co-generation device/ system producing electric energy on the Member's premises, regardless of the source thereof, by means of the facilities which shall be interconnected with the Cooperative facilities, the co-generation device/system shall be subject to appropriate regulations as established by applicable law, building codes and Cooperative policies.

Section 2.07. Maintaining Member

Location. Each Member shall maintain every dwelling or structure owned, controlled, or directly occupied by the Member, and at which the Cooperative provides any electric energy, as required by the Governing Documents.

Section 2.08. Member Grant of

Property Rights. As determined or required by the Cooperative, each Member shall:

1. Provide the Cooperative temporary, or permanent, safe and reliable access to, and use of, any portion of; and
2. Upon request from the Cooperative, grant and convey, and execute any document reasonably requested by the Cooperative to grant and convey, to the Cooperative any written or oral easement, right-of-way or license any real or personal property in which the Member possesses any legal right and which is reasonably necessary to:
 - (a) Purchase, install, construct, inspect, monitor, operate, repair, maintain, remove, or relocate any Cooperative Equipment;
 - (b) Provide, monitor, measure, or maintain any Cooperative Service;
 - (c) Satisfy or facilitate any obligation

incurred, or right granted, by the Cooperative regarding the use of Cooperative Equipment; or

- (d) Safely, reliably, and efficiently:
 - (i) Operate the Cooperative; or
 - (ii) Provide any Cooperative Service.

No Member shall tamper or interfere with, damage, or impair any Cooperative Equipment. Unless otherwise determined by the Board, the Cooperative owns all Cooperative Equipment. Each Member shall protect all Cooperative Equipment, and shall install, implement, and maintain any protective device or procedure reasonably required by the Cooperative.

Each Member shall comply with any procedure required by the Cooperative regarding the provision of electric energy to any Member or Person.

Section 2.09. Termination of Member.

The Cooperative may suspend or terminate Members as provided in these Bylaws and as

allowed by law, to include but not be limited to the following reasons:

1. Voluntary withdrawal;
2. A finding made by a majority of the Directors of failure to comply with the Articles or Bylaws; or
3. Death or cessation of existence of a Member, except a joint Member.

Termination/suspension shall not release a Member or his or her estate from any debts owing to the Cooperative.

Section 2.10. (Reserved).

Section 2.11. Member Liability. A Member is generally not liable to third parties for the Cooperative's acts, debts, liabilities, or obligations. A Member, however, may become liable to the Cooperative as:

1. Provided in these Bylaws; or
2. Otherwise agreed to by the Cooperative and Member.

Article III - Member Meetings and Member Voting

Section 3.01. Annual Director District and Other Regular Member Meetings.

The Cooperative:

1. Shall annually hold a Director District Meeting in each Director District for the purposes of conducting such business as might legally come before it ("Director District Meeting"); and
2. Shall, annually hold an "annual" meeting of Members for the purpose of conducting such business as might legally come before it ("Annual Member Meeting").

The Board shall determine the date, time and location of the Director District Meetings and the Annual Member Meeting.

At the Annual Member Meeting or at a Director District Meeting, the President and

Treasurer may provide a written report, or oral presentation, regarding the Cooperative's activities and financial condition. The Cooperative's failure to hold an Annual Member Meeting or District Meeting does not affect any action taken by the Cooperative.

Section 3.02. Special Member Meetings.

Other than a Special Meeting held pursuant to Section 4.09(B), the Cooperative shall hold a special meeting of Members at a date, time and location determined by the Board ("Special Member Meeting") upon the Cooperative receiving:

1. A written or oral request from the Board or President;
2. A written request signed by at least three (3) of the Directors currently in office; or

3. One (1) or more written demands signed and dated by at least ten percent (10%) of the Cooperative's total current non-suspended Members ("Total Membership") requesting, and describing the purpose of, a special meeting of Members ("Member Demand").

Section 3.03. Permitted Member Action at Member Meetings. At any Annual Member Meeting, Director District Meeting or Special Member Meeting (collectively, "Member Meeting"), Members may consider, vote or act only upon a matter for which:

1. Unless otherwise provided in these Bylaws, the Board and Members were notified properly;
2. The Members are authorized to consider, vote, or act; and
3. For a Special Member Meeting, the notice of the Special Member Meeting properly described.

Section 3.04. (Reserved).

Section 3.05. Notice of Member Meetings. The Cooperative shall deliver written notice of the Member Meeting:

1. Personally, by mail, or by electronic communication, which is defined as communication which uses electronic media to transmit information or message using computers, email, telephone, video calling, FAX machines, and other electronic types of communications;
2. To all Members entitled to vote at a Member Meeting;
3. Indicating the date, time, and location of the Member Meeting;
4. At least ten (10), but no more than twenty-five (25), days prior to the Member Meeting; and
5. For any Annual Member Meeting or Director District Meeting, describing any

matter to be considered, or voted or acted upon, at the Annual Member Meeting or Director District Meeting; and

6. For any Special Member Meeting, stating the purpose of, and describing any matter to be considered, or voted or acted upon, at the Special Member Meeting.

If mailed, notice of a Member Meeting is delivered when deposited in the United States Mail with prepaid postage affixed and addressed to a Member at the Member's address shown on the Membership List.

With the consent of a member, notice, dissemination of documents and actions may be completed by electronic communication means as determined by the Board and as allowed by Law. An electronic communication document electronically sent or transmitted to a Member or former Member at the Member or former Member's last known electronic address is considered sent, received, transmitted, and effective on the date sent by the Cooperative. An electronic document electronically received or transmitted from a Member or former Member is considered sent, received, transmitted, and effective on the date received by the Cooperative.

If electronically delivered, such notice shall be deemed to be delivered when sent to the last known electronic address of the member for which no nondelivered notice is returned. If addressed to an address shown in the Membership List, then a written or electronic notice, communication, or report delivered or transmitted as part of a newsletter, magazine, or other publication regularly sent to Members constitutes a notice, communication, or report to all Members: (1) residing at the address; or (2) having the same address shown in the Cooperative records.

If a Member has reasonable access to appropriate hardware and software, then under such terms and conditions as the

Board, acting under policies of general application determines, and as allowed by law, the Member consents and agrees to (A) use, accept, send, receive, and transmit an electronic signature, contract, record, notice, vote, communication, comment, and other document regarding an action, transaction, business, meeting, or activity with, for, or involving the Cooperative; (B) electronically conduct an action, transaction, business, meeting, or activity with, for, or involving the Cooperative; and (C) electronically give or confirm this consent and agreement.

The inadvertent and unintended failure of any Member to receive notice of any Member Meeting shall not affect any action taken at the Member Meeting.

Unless otherwise provided in these Bylaws, the Cooperative shall notify Members of a Member Meeting adjourned to another date, time, or location.

Section 3.06. Member Action by Mail

Ballot. Except as prohibited by state law, and in a manner determined by the Board consistent with this Bylaw, Members may act by written ballot.

A. **Member Mail Ballot.** In conjunction with a Member Meeting, the Board may determine that Members may vote by mail on any matter except those matters prohibited by State law from mail ballot voting. The Cooperative shall deliver a written ballot (“Member Mail Ballot”) to all Members entitled to vote on a matter. Members submitting a completed Member Mail Ballot may not vote at the Member Meeting specified in the Member Mail Ballot regarding any matter described in the Member Mail Ballot. Each completed Member Mail Ballot received by the Cooperative prior to the Member Meeting must be counted in determining whether a Member Quorum exists at the Member Meeting.

B. **Ballot.** Each Member Mail Ballot (“Ballot”) must:

1. Set forth and describe each proposed action, and include the language of any motion, resolution, or other written statement, upon which a Member is asked to vote;
2. State the date of any Member Meeting at which Members are scheduled to vote on the matter;
3. Provide an opportunity to vote for or against, or to abstain from voting on, each proposed action;
4. Instruct the Member how to complete and return the completed Ballot; and
5. State the time and date by which the Cooperative must receive the completed Ballot.

Unless otherwise provided by the Board, a Member may not revoke a completed Ballot received by the Cooperative. A Member’s failure to receive a Ballot does not affect any action taken by Member Mail Ballot.

Section 3.07. Member Quorum. A quorum of Members for an annual meeting or any special meeting of the entire membership shall, other than a special meeting held pursuant to Section 4.09(b), consist of 50 Members present. A quorum of Members for a special meeting of Members held pursuant to Section 4.09(b) shall consist of forty (40) Members present. A quorum for a District Director Meeting shall consist of ten (10) Members residing in the district.

If less than the Member Quorum are present at any Member Meeting, then a majority of Members attending the Member Meeting in person may adjourn the Member Meeting without further notice to a date no more than ninety (90) days following the original Member Meeting.

Section 3.08. Member Voting. Upon presenting identification or proof of Cooperative membership as reasonably required by the Cooperative, each non-suspended Member may cast one (1) vote on any matter for which the Member is entitled to vote. Individuals voting on behalf of non-natural person Members must present evidence satisfactory to the Cooperative that the individual is duly authorized to vote for the non-natural person Member. The spouse of a Member may vote on behalf of the Member unless the Member has indicated otherwise.

Unless otherwise provided by Law, the Articles, or these Bylaws, Members approve a matter and act if:

1. A Member Quorum is present; and
2. A majority of Members present in person or voting by Member Mail Ballot, entitled

to vote on a matter, and voting on the matter, vote in favor of the matter; and

3. The votes cast for the matter equal or exceed a majority of the applicable Member Quorum.

At any Member Meeting, the individual presiding over the Member vote may require the Members to vote by voice or by show of hands. If the individual presiding over the Member vote determines, in good faith, that a written vote or show of hands is required to determine the vote results, then the Members shall vote by written ballot or by show of hands.

Section 3.09. Member Meeting Order of Business. The Board shall determine the agenda and order of business for Member Meetings.

Article IV - Board of Directors

Section 4.01. Power and Duties. The business and affairs of the Cooperative shall be managed by a Board of Directors consisting of nine (9) Directors, which Board shall exercise all of the powers of the Cooperative, except such as are by law, the Articles of Incorporation, Conversion or Merger of these Bylaws conferred upon or reserved to the members. It shall be the duty of each Director to participate in such activities as are deemed necessary to enhance the prestige of the Cooperative, broaden its operation and fulfill its public obligations as a member of the community and the Rural Electrification Program, and in furtherance thereof to devote reasonable time and attendance at meetings of affiliated organizations and at training sessions designed to assist Directors and Officers in carrying out their duties.

Section 4.02. Director Districts. For purposes of election of Directors, the Cooperative shall consist of nine (9) Director Districts

(“Director Districts”), with eight (8) Districts consisting of one (1) county each and one (1) District at Large, consisting of all eight (8) counties. being served by the Cooperative. The Director Districts will be as follows: District 1: Aurora County, District 2: Brule County, District 3: Buffalo County, District 4: Davison County, District 5: Hanson County, District 6: Jerauld County, District 7: Miner County, District 8: Sanborn County, and District 9: Aurora, Brule, Buffalo, Davison, Hanson, Jerauld, Miner, and Sanborn Counties. If an area served by the Cooperative lies outside any one of the nine (9) Director Districts, any Member residing in such an area will be deemed (for voting and other Cooperative purposes) to reside in the Director District most immediately adjacent to the area being served.

Section 4.03. Board. The Board shall consist of one (1) natural person from each Director District elected by the Members located or

residing in each respective Director District, and one (1) Director-at-Large elected by the Members located or residing in the Cooperative Service Area.

Section 4.04. Director Qualifications. Any Director or Director candidate must comply with this Bylaw.

A. General Director Qualifications. Any Director or Director candidate must:

1. Be a natural person (subject to Section 4.04.B.2 below);
2. Have the capacity to enter into legally binding contracts;
3. While a Director, and during the five (5) years immediately prior to becoming a Director, not:
 - (a) Be, nor have been, convicted of a felony; or
 - (b) Plead, nor have pled, guilty to a felony (to include a nolo contendere plea);
4. Within six (6) years of becoming a Director, and unless excused by the Board for good cause, receive a Director Certificate or similar certification from the National Rural Electric Cooperative Association;
5. Unless excused for good cause by the Board or Members, attend at least ten (10) out of twelve (12) of the regularly scheduled monthly Board Meetings during any calendar year; and
6. Comply with any other reasonable qualifications determined by the Board.

B. Membership Director Qualifications. While a Director, a Director or Director candidate must:

1. Be a member in good standing, and except for the Director-at-Large, permanently reside in the Director District from which elected; and

2. Have the Director's primary residence served by the Cooperative or: provided, that the operating or chief executive of any Member which is not a natural person, or designee, shall, notwithstanding that such Member does not receive service from the Cooperative at such Member's primary residence, be eligible to become a Director, from the Director District in which such Member is located, if such Member or its designee:

- (a) Is in substantial permanent occupancy, direction or use of the premises served by the Cooperative; and
- (b) Is a permanent and year-round resident within or in close proximity to an area served by the Cooperative, but provided further that no more than one (1) such person may serve on the Board of Directors at the same time; but provided further that no more than one (1) such person from any one (1) non-individual Member may serve on the Board of Directors at the same time.

C. Conflict of Interest Director Qualifications. While a Director, a Director or Director candidate must not be:

1. A close relative of any existing Director, other than an existing Director who will cease being a Director within one (1) year;
2. An existing, or a close relative of an existing, non-Director Cooperative officer, employee, agent, or representative;
3. Employed by, materially affiliated with, or share a material financial interest with any other Director; or
4. Engaged in, nor employed by, materially affiliated with, or have a material financial interest in, any individual or entity:
 - (a) Directly and substantially competing with the Cooperative; or

- (a) Selling goods or services in substantial quantity to the Cooperative or to a substantial number of Members.

D. Continuing Director Qualifications. Only natural persons complying with the General Director Qualifications, Membership Director Qualifications, and Conflict of Interest Director Qualifications (collectively, “Director Qualifications”) may serve, or continue to serve, as a Director.

After being elected or appointed a Director, if any Director fails to comply with any Director Qualification, as reasonably determined by the Board, then the Board shall remove the Director. If at least a majority of Directors authorized by these Bylaws comply with the Director Qualifications and approve a Board action, then the failure of any Director to comply with all Director Qualifications does not affect the Board action.

Section 4.05. Director Nominations.

A. Nominating Petitions. An individual desiring to be a nominee for a Director position for which an incumbent Director’s Director term is expiring must take out a nominating petition (“Nominating Petition”) no more than sixty (60) days prior to any Member meeting at which Members are scheduled to elect Directors. Said member shall return the completed Nominating Petition to the Cooperative at least forty (40) days prior to the Member meeting at which Members are scheduled to elect Directors. The completed Nominating Petition shall contain the following:

1. The name of the Nominating Petition Nominee;
2. The Director position for which the Nominating Petition Nominee will run; and
3. The printed names, addresses, and telephone numbers, and original

signatures, of at least ten (10) Members residing in the Director District in which said nominee is seeking a directorship, or if for the Director-at-large, ten (10) Members residing in the Cooperative Service Area. After verifying that a Nominating Petition complies with this Bylaw, the Cooperative shall post the Nominating Petition nominees at the Cooperative’s principal office.

B. Notice of Director Nominations. At least ten (10) days nor more than twenty-five (25) days prior to any Member meeting at which Members are scheduled to elect Directors, the Cooperative shall notify Members of the:

1. Director positions for which the incumbent Director’s Director term is expiring; and
2. Names and corresponding Director positions of all Nominating Petition Nominees;

Section 4.06. Director Elections. Members located or residing in each Director District shall elect Directors as follows:

1. For District Director positions at the District Meeting for which the incumbent Director’s term is expiring.
2. For the Director-at-large position at the Annual Meeting by all Members located or residing in the Cooperative Service Area.
3. From the Nominating Petition Nominees.
4. By Member written ballot.

At the Director District meeting by Members residing in said Director District by Member’s written ballot, except for the Director-at-large who shall be elected at the annual meeting by Members located or residing in the Cooperative Service Area by Member written ballot.

By a plurality of the votes cast by a quorum of Members present in person who are entitled

to vote for the Director position. In case of a tie Director vote with only two (2) candidates running for the Director position, the Director elected shall be determined by a drawing by lot which, for purposes of these Bylaws, shall mean that a piece of paper will be marked with an "X" by a Cooperative representative/employee and placed in a receptacle along with other pieces of paper the same size, one (1) piece for each person involved with the tie. Each person involved in the tie will draw a piece of paper, and the person drawing the piece of paper with the "X" will be the winner of the election.

The persons involved in the tie will draw lots in the same order as their names appear on the ballot. In case of a tie and there are more than two (2) candidates running for the Director position, the number of Directors tying for first position will have a run-off election, and the Director receiving a plurality of the votes cast shall be elected. In the event of another tie of two (2) or more candidates, the Director elected shall be determined by a drawing by lot, the process of which is set forth above.

A quorum at any Member meetings, to include a Director District meeting and/or an Annual Meeting, shall consist of the minimum number of Members required by South Dakota law at the time of such meeting. If a quorum is not present within one (1) hour after the appointed time, no meeting shall be held. If an election of Directors is not held, a special Member meeting at which Members are scheduled to elect Directors shall be held within a reasonable time.

Tellers shall be appointed to collect and count the ballots.

If only one (1) nominating petition has been turned in for a Director position for which the incumbent Director's Director term is expiring, no election shall be held in that District and the Nominating Petition nominee shall be deemed

elected as the Director from said District.

Names of Nominating Petition nominees shall be printed on ballots in an order determined by drawing prior to the printing of the ballots.

If no petition is filed, then the board will appoint an individual to fill the open position on the board pursuant to Section 4.10 of these Bylaws.

4.07. Director Terms. A Director's term is three (3) years ("Director term"). A Director elected at a District Meeting or at the Annual Meeting will be seated as a Director at the commencement of the first Regular Monthly Board Meeting following the Annual Member Meeting. The Cooperative shall stagger Director terms by dividing the total number of authorized Directors elected from the Director Districts into three (3) groups of three (3) Directors each. Members thereafter will annually elect one (1) Director group. Decreasing the number of Directors or length of Director terms may not shorten an incumbent Director's Director term. Despite the expiration of a Director term, the Director continues to serve until a new Director is elected, or until the number of Directors is decreased. Unless otherwise provided in these Bylaws, the Director term of a Director filling a vacant Director's position is the remaining unexpired Director Term of the vacant Director's position.

4.08. Director Resignation. A Director may resign at any time by delivering written notice of resignation to the Board, President, or Secretary. The vacant board position shall be filled by the Board pursuant to Section 4.10 of these Bylaws.

4.09. Director Removal.

A. Director Removal Petition. As provided in this Bylaw, Members may request the removal of one (1) or more Directors for committing any grossly negligent, fraudulent, or criminal act or omission significantly and adversely affecting the Cooperative.

Notwithstanding the foregoing, no Director may be removed for lawfully opposing or resisting any Transfer of Cooperative Assets or any Cooperative dissolution.

Any Member who resides within a District may bring charges against a Director from within that District by requesting a Director Removal Petition form from the Cooperative, which will be sent to the requesting Member by U.S. Mail; or if requested by the requesting Member, by email; or the requesting Member may pick up a Director Removal Petition from the Cooperative headquarters.

The Cooperative will date the Removal Petition the date said Petition is placed in the U.S. Mail, emailed or picked up by the requesting Member.

The Removal Petition must contain the following information to be completed by the requesting Member:

1. The name of the Director for whom removal is requested;
2. The basis for requesting the Director removal, including a description of the grossly negligent, fraudulent, or criminal act or omission underlying the removal request; and
3. As Members existed on the Director Removal Petition date, containing the printed names, printed addresses, printed telephone numbers and original and dated signatures obtained within sixty (60) days of the Director Removal Petition date.

The Removal Petition must be signed by at least eighty (80) Members residing within the District requesting the removal of such Director and the reasons therefor. If the Director-at-large is the Director against whom charges have been made, the Removal Petition bringing such charges must be signed by a minimum of eighty (80) of the Members residing within the Cooperative boundaries,

with a minimum of at least ten (10) Members from each Director District of the eight (8) Director Districts.

In the event a Removal Petition is filed in the above manner, the Board of Directors shall schedule a special meeting of the Members of said District, to be held in said District within the time frame and pursuant to the rules set forth in 4.09(B). In the event a Removal Petition is filed for removal of the Director-at-large, the Board of Directors shall schedule a special meeting of the Cooperative Members to be held at the Cooperative headquarters within the time frame and pursuant to the rules set forth in 4.09(B).

B. Special Member Meeting Pertaining to a Director Removal Petition. If the Board determines that the Director Removal Petition complies with Section 4.09(A), then the Cooperative shall notice and hold a Member Meeting within sixty (60) days following such the Board determination.

Notice of the Member Meeting must state that:

1. The purpose of the Member Meeting is to consider removing a Director; and
2. That evidence may be presented, and a Member vote taken, regarding removing the Director.

If a Member Quorum as defined in Article 4.09(A) of Members of at least 50 of the Members residing within said District entitled to vote for the Director is present at the Member Meeting, then the following order of events shall take place:

Prior to any Member vote, evidence must be presented supporting the basis for removing the Director;

The Director may be represented by legal counsel, and must have the opportunity to refute, and present evidence opposing, the basis for removing the Director; and

Following the Director's presentation, and following Member discussion, the Members present at the meeting and entitled to vote in the district must vote whether to remove the Director.

If a majority of Members present and entitled to vote in regard to the Petition for removal of the Director vote to remove the Director, then the Director is removed effective the time and date of the Member vote, and a new Director will be appointed to the Board pursuant to Section 4.10. No Director may be removed for lawfully opposing or resisting any Transfer of Cooperative Assets, or any Cooperative dissolution.

C. Director Removal by Board. A director may be removed by a majority vote of the entire board of directors at a duly constituted and conducted Meeting of the Board. Such removal must be for "cause," which shall be defined as any grossly negligent, fraudulent criminal act or omission significantly and adversely affecting the Cooperative or for any reason specified within the Bylaws or Cooperative Policies allowing for such action. The Board Member(s) subject to such removal shall be informed in writing of the charges at least twenty-five (25) days prior to the meeting of the Board in 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 with respect to the charges. The Directors bringing the charges against the Board Member(s) shall have the same opportunity. Any Director may resign his or her position at any time. Such resignation shall be made in writing, shall be submitted to the Board and shall take effect at such time as specified therein.

D. Absences. Any Director who is absent from three (3) out of twelve (12) consecutive regular meetings of the Board without Board approval or who is certified by a medical Doctor to be unable to physically or mentally perform

his or her duties as a member of the Board of Directors shall be deemed to have so tendered his or her resignation from the Board, but such resignation shall not be considered effective unless and until a majority of the entire Board accepts such resignation and declares that Board seat vacant.

Section 4.10. Director Vacancy. Unless otherwise provided in these Bylaws:

The Board may fill a vacant Director position with more than 6 months remaining in the Directors term. Any Director appointed by the Board to fill a vacant Director position shall serve until either the next Director District meeting for a Director from one (1) of the eight (8) Director Districts or until the next Annual meeting for the Director-at-large, at which time the Members shall elect a new Director to fill the remaining balance of the vacant term.

The Board may elect not to fill a vacant Director position with less than 6 months remaining in the Directors term. The vacant Director position shall be filled by an election at the next Director District Meeting for such vacant Director position or at the next Annual Meeting if it is the Director at Large position which is vacant for the remaining balance of such Directors term.

An individual appointed or elected to fill a vacant Director position must comply with the Director Qualifications. As used in this Bylaw, "vacant Director position" and "Director vacancy" do not include Director positions vacated due to an expired Director Term.

Section 4.11. Director Compensation.

The Cooperative may reasonably reimburse and compensate Directors. The Board shall determine the manner and method of any reasonable Director reimbursement and compensation.

Section 4.12. Director Conduct. Unless modified or prohibited by Law:

A. Director Standard of Conduct. A Director shall discharge the Director's duties including duties as a Board Committee member:

1. In good faith;
2. With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
3. In a manner the Director reasonably believes to be in the Cooperative's best interests.

B. Director Reliance on Others. Unless a Director possesses knowledge concerning a matter making reliance unwarranted, then in discharging a Director's duties, including duties as a Board Committee member, a Director may rely upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by:

1. One (1) or more Cooperative Officers or employees whom the Director reasonably believes to be reliable and competent in the matters prepared or presented;
2. Legal counsel, public accountants, or other individuals regarding matters the Director reasonably believes are within the individual's professional or expert competence; and
3. If the Director reasonably believes a Board Committee of which the Director is not a member merits confidence, then the Board Committee regarding matters within that Board Committee's jurisdiction.

C. Director Liability. If a Director complies with this Bylaw, then the Director is not liable to the Cooperative, any Member, or any other individual or entity for action taken, or not taken, as a Director. No Director is deemed a trustee regarding the Cooperative or any property held or administered by the Cooperative, including without limit, property potentially subject to restrictions imposed by

the property's donor or transferor.

Section 4.13. Close Relative. As used in these Bylaws, the term "close relative" means an individual who:

1. Is, either by blood, law, or marriage, including half, step, foster, and adoptive relations, a spouse, child, grandchild, parent, grandparent, or sibling; or
2. Principally resides in the same residence ("Close Relative"). Any individual properly qualified and elected or appointed to any position does not become a Close Relative while serving in the position because of any marriage or legal action to which the individual was not a party.

Section 4.14. Board Meetings and

Director Voting. The Board shall regularly meet at the date, time and location determined by the Board ("Regular Board Meeting"). Upon a majority vote of the Directors held prior to a Regular Board or Special Board Meeting, a Director may attend a Regular or Special Board Meeting by electronic means. Unless otherwise required by these Bylaws, the Board may hold Regular Board Meetings without notice. For good cause, the President may change the date, time or location of any Regular Board Meeting.

Any Director not attending any Board Meeting at which the Regular Board Meeting date, time or location is changed is entitled to receive notice of the Regular Board Meeting change at least five (5) days before the next Regular Board Meeting. All Directors are entitled to receive notice of a President's change in a Regular Board Meeting date, time, or location at least five (5) days before the changed Regular Board Meeting.

Section 4.15. Special Board Meetings.

The Board, the President, or at least three (3) Directors may call a special meeting of the Board ("Special Board Meeting") by providing each Director at least five (5) days'

prior written notice indicating the date, time, location and purpose of the Special Board Meeting.

Section 4.16. Conduct of Board Meetings.

Unless otherwise provided in these Bylaws, any Regular Board Meeting or Special Board Meeting (“Board Meeting”) may be:

1. Held in, or out of, any state in which the Cooperative provides any Cooperative Service; and
2. Conducted with absent Directors participating, and deemed present in person, through any means of communication by which all Directors participating in the Board Meeting may simultaneously hear and simultaneously and approximately instantaneously communicate with each other during the Board Meeting.

If a Director Quorum is present at any Board Meeting, then:

1. In descending priority, the following Officers may preside at the Board Meeting: President, Vice-President, Secretary, Treasurer; and
2. If no Officer is present, or desires, to preside over any Board Meeting, then the Directors attending the Board Meeting shall elect a Director to preside over the Board Meeting.

Section 4.17. Waiver of Board Meeting

Notice. At any time, a Director may waive notice of any Board Meeting by delivering to the Cooperative a written waiver of notice signed by the Director and later filed with the Board Meeting minutes or the Cooperative’s records. Unless a Director:

1. Upon arriving at a Board Meeting or prior to the vote on a particular matter, objects to lack of, or defective, notice of the Board Meeting or a matter being considered at the Board Meeting; and

2. Does not vote for, or assent to, an objected matter; then the Director’s attendance at, or participation in, a Board Meeting waives notice of the Board Meeting and any matter considered at the Board Meeting.

Section 4.18. Board Action by Written

Consent. Without a Board Meeting, the Board may take any action required, or permitted, to be taken at a Board Meeting if the action is:

3. Taken by all Directors; and
4. Evidenced by one (1), or more, written consents (“Director Written Consent”):
 - (a) Describing the action taken;
 - (b) Signed by each Director; and
 - (c) Included with the Cooperative’s Board Meeting minutes.

Unless the Director Written Consent specifies a different effective date, action taken by Director Written Consent is effective when the last Director signs the Director Written Consent. A Director Written Consent has the effect of, and may be described as, a Board meeting vote.

Section 4.19. Director Quorum and Voting.

A quorum of Directors is a majority of the Directors in office immediately before a Board Meeting begins (“Director Quorum”). If a Director Quorum is present at the time a matter is voted or acted upon, and unless a vote of a greater number of Directors is required, then the affirmative vote of a majority of Directors present is the act of the Board.

Section 4.20. Committees. The Board may create committees of the Board (“Board Committees”) and appoint Directors to serve on the Board Committees. Each Board Committee must consist of two (2) or more Directors, and serve at the Board’s discretion.

The Board may create committees of the Members (“Member Committees”) and appoint Members, including Directors, to serve on the Member Committees.

A. Creation and Appointment of Committees.

Except as otherwise provided in these Bylaws, at least a majority of Directors currently in office must approve the:

1. Creation of any Board Committee or Member Committee;
2. Appointment of Directors to any Board Committee; and
3. Appointment of Members to any Member Committee.

B. Conduct of Committee Meetings. The Bylaws addressing Regular Board Meetings, Special Board Meetings, Conduct of Board Meetings, Waiver of Board Meeting Notice, Board Action by Written Consent, and Director Quorum and Voting apply to Board Committees and Directors serving on Board Committees, and to Member Committees and Members serving on Member Committees.

C. Committee Authority. Except as prohibited or limited by law, the Articles, or this Bylaw, the Board may authorize a Board Committee to exercise Board authority. Although a Board Committee may recommend, a Board Committee may not act, to:

1. Retire and refund Capital Credits and Affiliated Capital Credits;
2. Approve the Cooperative’s dissolution or merger, or the sale, pledge, or transfer of all, or substantially all, Cooperative Assets;
3. Elect, appoint, or remove Directors, or fill any Board or Board Committee vacancy; or
4. Adopt, amend, or repeal these Bylaws.

Member Committees may act as specified by the Board, but may not exercise Board authority.

Section 4.21. Board Executive Committee.

Unless otherwise determined by the Board:

1. A Board executive committee is comprised of the President, Vice-President, Secretary, and Treasurer (“Board Executive Committee”); and
2. When impracticable or inconvenient for the Board to timely meet to consider a matter, and except as prohibited by law, the Articles, or these Bylaws, the Board Executive Committee may exercise all Board authority regarding a matter.

The Board Executive Committee:

1. Is a Board Committee;
2. May exercise all Board authority granted by the Board and permitted by law, the Articles, and these Bylaws; and
3. At the next Board Meeting following any exercise of Board authority, shall report to the Board regarding the Board Executive Committee’s exercise of Board authority.

Section 4.22. Conflict of Interest

Transaction. A conflict of interest transaction is a transaction with the Cooperative in which a Director has a direct or indirect interest (“Conflict of Interest Transaction”).

A. Indirect Interest. A Director has an indirect interest in a Conflict of Interest Transaction if at least one (1) party to the transaction is another entity:

1. In which the Director has a material interest or is a general partner; or
2. Of which the Director is a director, officer, or trustee.

B. Approval of Conflict of Interest Transaction. Regardless of the presence or vote of a Director interested in a Conflict of Interest Transaction, a Conflict of Interest Transaction may be approved, and any Board Quorum or Member Quorum satisfied, if the Conflict of Interest Transaction’s material facts, and the Director’s

interest, are:

1. Disclosed or known to the Board or Board Committee, and a majority or more than one (1) Director or Board Committee member with no interest in the Conflict of Interest Transaction votes to approve the Conflict of Interest Transaction; or
2. Disclosed or known to the Members, and a majority of votes cast by Members not voting under the control of a Director or entity interested in the Conflict of Interest Transaction approves the Conflict of Interest Transaction.

C. Fair Conflict of Interest Transaction. A Conflict of Interest Transaction that is fair when entered is neither:

1. Voidable; nor
2. The basis for imposing liability on a Director interested in the Conflict of Interest Transaction.

Section 4.23. (Reserved).

Section 4.24. Required Officers. The Cooperative must have the following officers: President, Vice-President, Secretary and Treasurer (“Required Officers”). The Board shall elect Required Officers:

1. At the first (1st) Regular Board Meeting following each Annual Member Meeting, or as soon after each Annual Member Meeting as reasonably possible and convenient; or, if no Annual Member Meeting is held, at the first Regular Board Meeting following the last Director District Meeting held by the Cooperative;
2. By affirmative vote of a majority of Directors in office; and
3. By secret written ballot without prior nomination.

Only Directors may be elected, and serve, as a Required Officer.

Subject to removal by the Board, each Required Officer shall hold office until the Required Officer’s successor is duly elected. The Board shall fill any vacant Required Officer’s position for the remaining unexpired portion of the Required Officer’s term.

Section 4.25. President. The Board of Directors of Central Electric Cooperative, at the time of the initial adoption of these Bylaws as a policy decision, recognizes that as there shall be one Director representing each Director district, it is crucial for the fair representation of each Director district that each Director, regardless of whether said Director is the President of the Board of Directors, be allowed the opportunity to vote on all matters presented before the Board for a vote. Therefore, notwithstanding the reference to “Roberts Rules of Order” elsewhere in these Bylaws, each officer of the Cooperative shall be allowed to vote on all issues presented before the Board of Directors for a vote in the same manner as any other Director pursuant to these Bylaws. Unless otherwise determined by the Board, and unless otherwise required by law, the Articles, or these Bylaws, the President:

1. Shall preside, or designate another individual to preside, at all Board and Member Meetings;
2. On the Cooperative’s behalf, may sign any document properly authorized or approved by the Board or Members; And
3. Shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board.

Section 4.26. Vice-President. Unless otherwise determined by the Board, and unless otherwise required by law, the Articles, or these Bylaws, the Vice-President:

1. Upon the President’s death, absence, disability, inability or refusal to act, shall perform the duties, and have the powers,

of the President; and

2. Shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board.

Section 4.27. Secretary. Unless otherwise determined by the Board, and unless otherwise required by law, the Articles, or these Bylaws, the Secretary:

1. Shall be responsible for preparing minutes of Board and Member Meetings;
2. Shall be responsible for authenticating the Cooperative's records;
3. May affix the Cooperative's seal to any document authorized or approved by the Board or Members; and
4. Shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board.

Section 4.28. Treasurer. Unless otherwise determined by the Board and unless otherwise required by law, the Articles, or these Bylaws, the Treasurer shall perform all duties, shall have all responsibility, and may exercise all authority, prescribed by the Board.

Section 4.29. Manager/Chief Executive Officer. The Board shall retain a Manager who may be, but who shall not be required to be, a Member of the Cooperative. This individual may also be designated as a Chief Executive Officer. The person so retained shall perform such duties and shall exercise such authority as the Board may, from time to time, vest in him/her.

Section 4.30. Officer Resignation and Removal. At any time, any Required Officer may resign by delivering to the Cooperative an oral or written resignation. Unless the resignation specifies a later effective date, an Officer resignation is effective when received by the Cooperative. If an Officer resignation is effective at a later date, then the Board may

fill the vacant Officer position before the later effective date, but the successor Officer may not take office until the later effective date. At any time, the Board may remove any Officer whenever, in its judgment, the best interests of the Cooperative will thereby be served.

Section 4.31. Officer Standard of Conduct. Every Officer shall discharge the Officer's duties:

1. In good faith;
2. With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
3. In a manner the Officer reasonably believes to be in the Cooperative's best interests.

Section 4.32. Authority to Execute Documents. On the Cooperative's behalf, any two (2) Required Officers may sign, execute, and acknowledge any document properly authorized or approved by the Board or Members. The Board may authorize additional Cooperative Directors, Officers, employees, agents, or representatives to sign, execute, and acknowledge any document on the Cooperative's behalf.

Section 4.33. Indemnification of Officers, Directors, Employees, and Agents; Insurance.

A. Indemnity of Directors, Officers, Employees, and Agents of Cooperative. 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 action, suit, or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Cooperative) by reason of the fact that they are or were a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee, or agent or another corporation partner-joint venture,

trust or other enterprise, against expense (including attorney's fees), judgment, fines, and amounts paid in settlement actually and reasonably incurred in connection with such action, suit, or proceeding if they acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Cooperative and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea on nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which they 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 reasonable cause to believe that this conduct was unlawful.

B. Exception to Indemnity. Except that no indemnification shall be made 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 their duty to the Cooperative unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

C. Successful on Merits. To the extent that a director, officer, employee, or agent of the Cooperative has been successful on the merits or otherwise in defense of an action, suit, or proceeding referred to in Sections A and B above, or in defense of any claim issue or matter therein, they shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by them in connection therewith.

D. Determination of Indemnification. Any indemnification under the foregoing provision of this section (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case upon a determination of the director, officer, employee, or agent is proper in the circumstances because they have met the applicable standard of conduct as set forth in Sections A and B above. Such determinations shall be made (1) by the Board of a majority vote of a quorum consisting of directors who were not parties to such action, suit, or proceeding, or (2) if such quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the members of the Cooperative.

E. Expense Account. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit, or proceeding as authorized by the Board in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee, or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Cooperative as authorized in the section.

F. Non-Exclusive. The indemnification provided by this section shall not be deemed exclusive of any other right to which those seeking indemnity may be entitled under any Bylaw, agreement, vote of Members, or disinterested Directors or otherwise, both as to action in their official capacity and as to action in another capacity while holding such office, shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall ensure to the benefit of the heirs, executors and administrators of such a person.

G. Insurance. The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer,

employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee, or agent of another corporation, cooperative, partnership, joint venture, trust, or other enterprise against any liability asserted against them and incurred

by them in such capacity, or arising out of their status as such whether or not the Cooperative would have the power to indemnify them against such liability under the provision of the article.

Article V - Non-Profit and Cooperative Operation

Section 5.01. Non-profit and Cooperative Operation. The Cooperative:

1. Must operate on a nonprofit basis;
2. Must operate on a cooperative basis for the mutual benefit of all Members; and
3. May not pay interest or dividends on Capital furnished by Patrons.

Section 5.02. Allocating and Crediting Capital. In operating the Cooperative:

A. Patron. A Cooperative patron is a:

1. Member who: Uses, receives, or purchases electric energy; and
2. Is entitled to an allocation of, and payment by credit to a Capital account for, Capital Credits and Affiliated Capital Credits (collectively, "Patron").

B. Capital Credits. Patrons shall furnish, and the Cooperative shall receive, as capital ("Capital") all funds and amounts received by the Cooperative from Patrons for the Cooperative's providing of electric energy that exceeds the Cooperative's costs and expenses of providing the same ("Operating Margins"). The Cooperative shall annually allocate to each Patron, and pay by credit to a Capital account for each Patron, Operating Margins from the sale of electric energy in proportion to the value or quantity of the electric energy used, received, or purchased by each Patron during the applicable fiscal year ("Capital Credits").

C. Affiliated Capital Credits. The Cooperative may separately allocate the credit to Patrons, capital allocated and credited to the

Cooperative by any organization furnishing services, supplies, or products to the Cooperative ("Affiliated Capital Credits"):

1. In proportion to the value or quantity of each service, supply, or product furnished by the organization that is used, received, or purchased by each Patron; and
2. If the Cooperative determines, and separately identifies, the Affiliated Capital Credits.

D. Non-Operating Margins. Funds and amounts, other than Operating Margins, received by the Cooperative that exceed the Cooperative's costs and expenses ("Non-Operating Margins") may be:

1. Allocated as Capital Credits to Patrons in the same manner as the Cooperative allocates Capital Credits to Patrons; or
2. Used by the Cooperative as permanent, non-allocated capital.

E. Assignment and Notification. Unless otherwise determined by the Board or provided in these Bylaws, Capital Credits and Affiliated Capital Credits may be assigned by a Patron pursuant to written instructions from the assignor and only to successors-in-interest or successors-in-occupancy in all or part of such Patron's premises served by the Cooperative, unless the Board of Directors, acting under policies of general application, shall determine otherwise. The Cooperative shall annually notify each Patron of the dollar amount of Capital Credits or Affiliated Capital Credits allocated or credited to the Patron

during the applicable fiscal year. Provided that individual notices of such amounts furnished by each Patron shall not be required if the Cooperative notifies all Patrons of the aggregate number of such excess and provides a clear explanation of how each Patron may compute and determine for himself a specific amount of capital so credited to him.

F. Joint Memberships. Upon the termination, conversion, or alteration of any Joint Membership, and upon the Cooperative receiving written notice and adequate proof of the same, if the termination or conversion results through the death of one (1) Joint Member, the Cooperative shall reallocate and recredit to the surviving Joint Member all Capital Credits and Affiliated Capital Credits previously allocated and credited to the Joint Membership. If the Joint Membership was otherwise terminated or converted,

1. and unless otherwise instructed by a court or administrative body of competent jurisdiction, the Cooperative shall reallocate and recredit to each Joint Member one-half (1/2) of the Capital Credits and Affiliated Capital Credits previously allocated and credited to the Joint Membership.

Section 5.03. Retiring and Refunding Capital Credits. At any time prior to the Cooperative's dissolution or liquidation:

1. The Board may authorize the Cooperative to, and the Cooperative shall, wholly or partially retire and refund Capital Credits to Patrons and former Patrons; or
2. After an organization furnishing services, supplies, or products to the Cooperative retires and refunds capital to the Cooperative, the Board may authorize the Cooperative to, and the Cooperative shall, retire and refund the corresponding Affiliated Capital Credits to Patrons and former Patrons.

3. The Cooperative has a priority security interest in the Capital Credits or Affiliated Capital Credits of every Member or Patron to the extent of any debt due and owing the Cooperative. After perfection in a manner allowed under the Uniform Commercial Code as adopted in the State of South Dakota, the Cooperative may enforce the security interest and set off the debt from the accrued Capital Credits or Affiliated Capital Credits of the Member or Patron. The debt secured by such Capital Credits includes the unpaid bill, any reasonable interest and late payment fee as determined by the Board. Before retiring and refund any Capital Credits, any amounts owed to the Cooperative by the Member or Patron, including any reasonable interest and late payment fee as determined by the Board. A Member or Patron is deemed to have consented to the security interest of the Cooperative at the time the electric service was provided and initially billed to the Member or Patron.
4. Each Patron agrees that:
Neither capital Credits, Affiliated Capital Credits, nor similar amounts are securities under state or federal law; A Patron's right to receive Capital Credits, Affiliated Capital Credits, or similar amounts vests, accrues, and becomes payable only upon the Cooperative retiring or refunding the Capital Credits, Affiliated Capital Credits, or similar amounts as provided in these Bylaws, and not upon the Cooperative allocating or crediting the Capital Credits, Affiliated Capital Credits, or similar amounts.
5. If any patron or former patron fails to claim any retirement of Capital Credits, Affiliated Capital Credits, or any other payment from the Cooperative within six (6) years after payment of the same has been made available to the Patron

or former Patron by check mailed to the Patron or former Patron at the Patron's or former Patron's last mailing address furnished by the Patron or former Patron to the Cooperative, such Credits or payments shall be deemed to be irrevocably assigned and given to the Cooperative and shall thereafter be retained by the Cooperative as non-allocated capital.

6. The Board shall determine the manner and method of retiring and refunding Capital Credits and Affiliated Capital Credits. Upon the death of any natural person Patron or former natural person Patron ("Deceased Patron"), but not upon the cessation of existence of any non-natural person Patron or non-natural person former Patron, and pursuant to a written request from the Deceased natural person Patron's legal representative, the Board may retire the Deceased natural person Patron's Capital Credits and/or Affiliated Capital Credits under terms and conditions agreed upon by the Deceased natural person Patron's legal representative and the Cooperative, provided that the financial condition of the Cooperative will not be impaired thereby.

Section 5.04. Non-Member Patrons. As a condition of using, receiving, or purchasing any Cooperative Service, and unless otherwise determined by the Board:

1. To the same extent as Members, Patrons who are not Members ("Non-Member Patrons") and using, receiving, or purchasing any Cooperative Service shall abide by, and be bound to, all the duties, obligations, liabilities and responsibilities imposed by the Governing Documents upon Members;
2. Other than the rights to:
 - (a) Be allocated and paid by credit to a Capital account Capital Credits and

Affiliated Capital Credits; and

- (b) Receive retired and refunded Capital Credits and Affiliated Capital Credits, and

Non-Member Patrons and Non-Member former Patrons shall have none of the rights granted by the Governing Documents to Members.

Section 5.05. Reasonable Reserves. The Directors may, before allocating and crediting margins to its Patrons by resolution, provide for the adoption of margin stabilization plans, revenue or expense deferral plans or other plans that provide for the retention of revenues and receipts in excess of those needed to meet current losses and expenses. Reasonable Reserves may be created by the Cooperative for payment of the incremental cost of electric power and energy purchased by the Cooperative for resale to its Patrons.

Section 5.06. Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances. However, the Board of Directors may not enter into a wholesale power supply contract with a non-cooperative wholesale power supplier unless such contract is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all 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.

Section 5.07. Transfer of Cooperative Assets. Except for any sale, lease, exchange or other disposition ("Transfer") of any Cooperative property or Cooperative asset ("Asset"):

1. To secure indebtedness;

2. Pursuant to condemnation or threat of condemnation;
3. Pursuant to an existing legal obligation; or
4. Associated with a Consolidation or Merger with another rural electric Cooperative;

the Cooperative shall not Transfer more than ten percent (10%) of the Cooperative's Assets unless:

1. Not inconsistently with the laws of the State of South Dakota, the members of the Cooperative, at a duly held meeting of the Members, authorize the sale, lease, lease-sale, exchange, transfer or other disposition of all or a substantial portion of the Cooperative's property and assets by the affirmative vote of not less than two-thirds of those Members present and voting at such meeting. However, no sale, lease, lease-sale, exchange, transfer or other disposition of all or a substantial portion of the Cooperative's property and assets shall be authorized except in conformity with the following:

- (a) If the Board of Directors looks with favor upon any proposal for such sale, lease, lease-sale, exchange, transfer or other disposition, it shall first cause three (3) independent nonaffiliated appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange, transfer or other disposition and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be designated by the Board of Directors.
- (b) If the Board of Directors, after receiving such appraisals (and other terms and conditions which are submitted, if any) determines that the proposal should be submitted for consideration by the Members, it shall first give every other

rural electric cooperative corporately sited and operating in South Dakota (which has not made such an offer for such sale, lease, lease-sale, exchange, transfer or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such rural electric cooperative, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three (3) appraisers. Such rural electric cooperative shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them. In the event no such rural electric cooperative exercises its option to purchase, then in that event East River Electric Power Cooperative (in the event it has not made such an offer for such sale, lease, lease-sale, exchange, transfer or other disposition), shall be given an opportunity to submit a competing proposal. Such opportunity shall be in the form of a written notice to East River Electric Power Cooperative, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three appraisers. East River Electric Power Cooperative shall be given not less than thirty (30) days during which to submit a competing proposal. The actual minimum period within which such proposal is to be submitted shall be stated in the written notice given to East River Electric Power Cooperative.

- (c) If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal

which has been submitted to it, it shall so notify the Members not less than sixty (60) days before noticing a special meeting of the Members thereon or, if such be the case, the next annual member meeting, expressing in detail each of any such proposals, and shall call a special meeting of the Members for consideration thereof and action thereon, which meeting will be held not less than ten (10) nor more than twenty-five (25) days after the giving of notice thereof to the Members; PROVIDED, that consideration and action by the Members may be given at the next annual Member meeting if the Board so determines and if such annual meeting is held not less than ten (10) nor more than twenty-five (25) days after the giving of notice of such meeting.

- (d) Any fifty (50) or more Members by so petitioning the Board not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all Members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.
2. Notwithstanding Section 5.06(1), the Cooperative, upon approval by the Board, may enter into a compact or compacts that provide a method to retain in an integrated system, the Cooperative assets which compact or compacts will take precedence over other Sections of these Bylaws, to include Section 5.06(1), as the

same pertain to the transfer of the assets of the Cooperative other than in the normal course of the Cooperative business.

Section 5.07. Distribution of Cooperative Assets Upon Dissolution. Upon the Cooperative's dissolution: The Board shall liquidate and settle the affairs of the Cooperative pursuant to South Dakota Codified Law 472140, or any amendments or replacements thereto, which as of the date of the adoption of these Bylaws provides as follows:

1. The Board shall collect sums owing the Cooperative;
2. Liquidate its property and assets;
3. Pay and discharge its debts, obligations and liabilities, other than those to patrons arising by reason of their patronage; and
4. Do all other things required to terminate its business. After paying or discharging or adequately providing for payment or discharge of all of its debts, obligations and liabilities, other than those to patrons arising by reason of their patronage, the Cooperative shall distribute any remaining sums first to patrons and former patrons for the pro rata return of all amounts standing to their credit by reason of their patronage, and then to Members for the pro rata repayment of membership fees. Any sums then remaining shall be distributed among its Members and former Members in proportion to their patronage.

Article VI - Miscellaneous

Section 6.01. Bylaw Amendments. Unless otherwise provided in these Bylaws, these Bylaws may be adopted, amended, or repealed by the affirmative vote of a majority of the Members present and voting at a Member Meeting.

A. Sponsorship of Bylaw Amendments. The Board of Directors may sponsor or propose Bylaw Amendments. Members of the Cooperative may sponsor or propose Bylaw Amendments. If sponsored or proposed by Members of the Cooperative, any proposed Bylaw Amendment must be:

1. Accompanied by a dated petition containing the printed names, addresses, and original dated signatures of at least fifty (50) Members of the Cooperative obtained within sixty (60) days of the petition date.
2. Delivered to, and received by, the Cooperative on or before November 1 of the calendar year immediately preceding the year in which the Members will consider the adoption of such Bylaw amendment;
3. Reviewed by the Board of Directors and determined to be lawful; and
4. Not altered or modified after delivery to the Cooperative.

B. Notice of Bylaw Amendment. Notice of any Member Meeting at which Members will consider a proposed Bylaw Amendment must:

1. State that the purpose, or one (1) of the purposes, of the Member Meeting is to consider the proposed Bylaw Amendment; and
2. Contain, or be accompanied by, a copy or summary of the proposed Bylaw Amendment.

Section 6.02. Rules of Order. Unless the

Board determines otherwise, and to the extent consistent with law, the Articles, and these Bylaws, all member meetings, Board meetings and committee meetings are governed by the fundamental fairness rule with the Robert's Rules of Order manual (book) being utilized by the Cooperative at that particular time as a guide only, not the ultimate authority, of such rule.

Section 6.03. Fiscal Year. The Board shall determine, and may modify, the Cooperative's fiscal year.

Section 6.04. Notice. In these Bylaws:

A. Notice Type. Unless otherwise provided in these Bylaws, notice may be:

1. Oral or written; and
2. Communicated:
 - (a) In person;
 - (b) By telephone, telegraph, teletype, facsimile, electronic communication, or other form of wire or wireless communication;
 - (c) By mail or private carrier; or
 - (d) If the above listed forms of communicating notice are impractical, then by:
 - (i) Newspaper of general circulation in the area where published; or
 - (ii) Radio, television, or other form of public broadcast communication.

If addressed, or delivered, to an address shown in the Membership List, then a written notice or report delivered as part of a newsletter, magazine, or other publication regularly sent to Members constitutes a written notice or report to all Members:

1. Residing at the address; or
2. Having the same address shown in the

Membership List.

B. Notice Effective Date. If communicated in a comprehensible manner, then unless otherwise provided in these Bylaws:

1. Oral notice is effective when communicated; and
2. Written notice is effective upon the earliest of:
 - (a) When received;
 - (b) With the postmark evidencing deposit in the United States Mail, if correctly addressed.
 - (c) If sent by registered or certified mail, return receipt requested, and if the return receipt is signed by, or on behalf of, the addressee, then on the date indicated on the return receipt.

Written notice is correctly addressed to a Member if addressed to the Member's address shown in the Membership List.

Section 6.05. Governing Law. These Bylaws must be governed by, and interpreted under, the laws of the state in which the Cooperative is incorporated.

Section 6.06. Titles and Headings. All titles and headings of Bylaw articles, sections, and subsections are for convenience and reference only, and do not affect the interpretation of any Bylaw article, section, or subsection.

Section 6.07. Partial Invalidity. When reasonably possible, every Bylaw article, section, subsection, paragraph, sentence, clause or provision (collectively, "Bylaw Provision") must be interpreted in a manner by which the Bylaw Provision is valid. The invalidation of any Bylaw Provision by any entity possessing proper jurisdiction and authority, which does not alter the fundamental rights, duties, and relationship between the Cooperative and Members, does not invalidate the remaining Bylaw Provisions.

Section 6.08. Cumulative Remedies. The rights and remedies provided in these Bylaws are cumulative. The Cooperative or any Member asserting any right or remedy provided in these Bylaws does not preclude the Cooperative or Member from asserting other rights or remedies provided in these Bylaws.

Section 6.09. Entire Agreement. Between the Cooperative and any Member, the Governing Documents:

1. Constitute the entire agreement; and
2. Supersede and replace any prior or contemporaneous oral or written communication or representation.

Section 6.10. Successors and Assigns. To the extent allowed by Law:

1. The duties, obligations, and liabilities imposed upon the Cooperative or any Member by these Bylaws are binding upon the successors and assigns of the Cooperative or Member; and
2. The rights granted to the Cooperative by these Bylaws inure to the benefit of the Cooperative's successors and assigns.

The binding nature of the duties, obligations, and liabilities imposed by these Bylaws upon the successors and assigns of the Cooperative and any Member does not relieve the Cooperative or Member of the duties, obligations, and liabilities imposed by these Bylaws upon the Cooperative or Member.

Section 6.11. Waiver. The failure of the Cooperative to assert any right or remedy provided in these Bylaws does not waive the right or remedy provided in these Bylaws.

Section 6.12. Lack of Notice. To the extent allowed by Law and the Articles, the failure of any Member or Director to receive notice of any Meeting, action, or vote does not affect, or invalidate, any action or vote taken by the Members or Board.

