

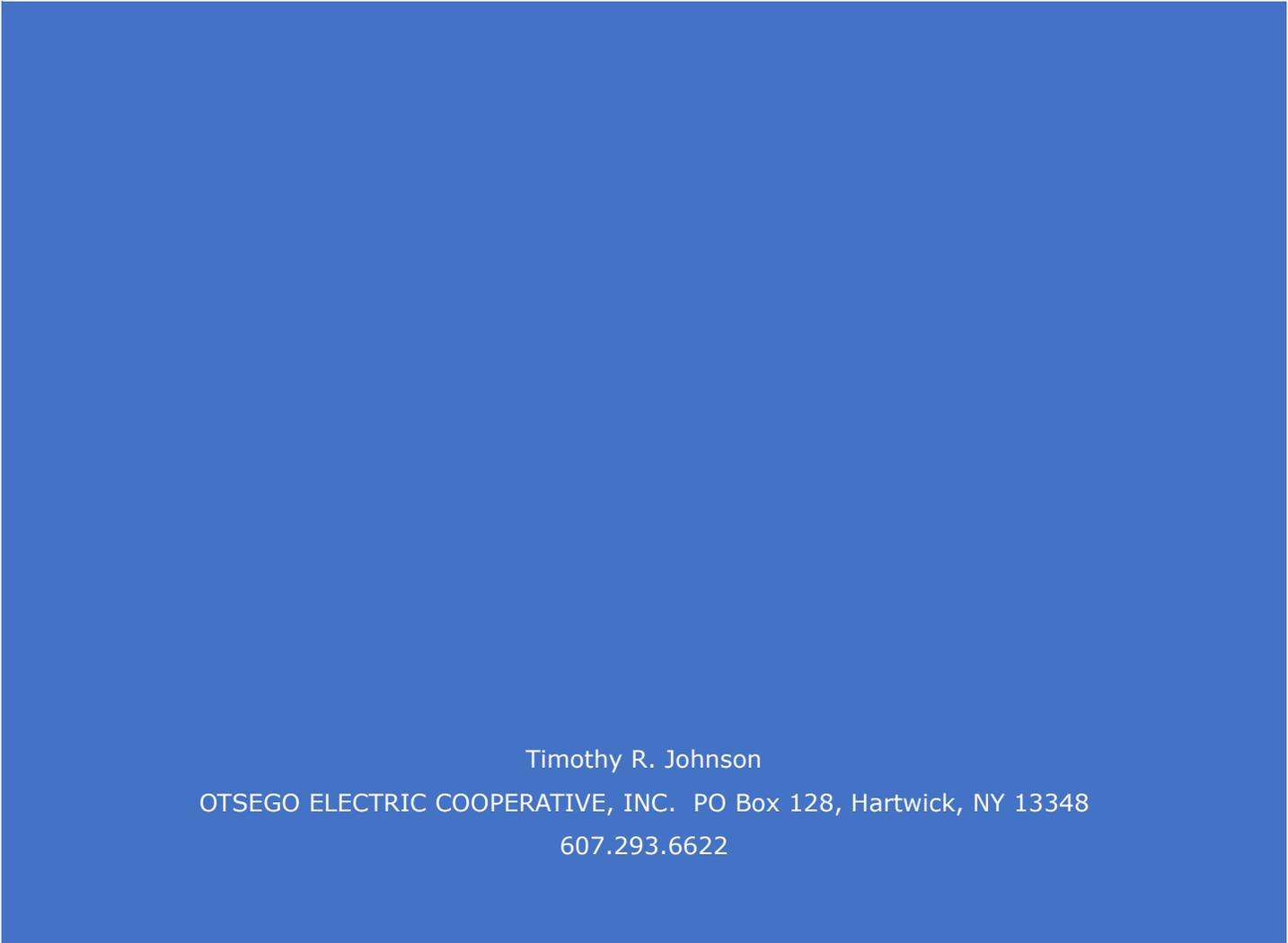


**Otsego Electric Cooperative, Inc.
Bylaws as amended August 19, 2023**

Timothy R. Johnson

OTSEGO ELECTRIC COOPERATIVE, INC. PO Box 128, Hartwick, NY 13348

607.293.6622



Contents

Article I Membership.....	2
Article II RIGHTS AND LIABILITIES OF MEMBERS	4
Article III MEETINGS OF MEMBERS	5
Article IV DIRECTORS	7
Article V MEETINGS OF DIRECTORS.....	9
Article VI OFFICERS.....	10
Article VII NON-PROFIT OPERATION	12
Article VIII DISPOSITION OF PROPERTY	15
Article IX SEAL.....	15
Article X FINANCIAL TRANSACTIONS	15
Article XI MISCELLANEOUS.....	16
Article XII AMENDMENTS	16

Article I Membership

Section 1. REQUIREMENTS FOR MEMBERSHIP. Any person, firm, association, corporation, trust, estate, partnership, federal or state government, or agency, subdivision, or body politic thereof (collectively a "person") may become a member of Otsego Electric Cooperative, Inc., (hereinafter called the "Cooperative") by:

- (a) filing a written or electronic membership application;
- (b) agreeing to purchase from the Cooperative electric energy; or, if desired, energy-related or other services;
- (c) agreeing 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; and
- (d) no member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these Bylaws. Each membership application shall be reviewed by the Board of Directors and approved if it meets the requirements.

Section 2. MEMBERSHIP CERTIFICATES. Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors. Such certificate shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. In case of a lost, destroyed, or mutilated certificate, a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe.

Section 3. JOINT MEMBERSHIP. Members may apply for a joint membership in accordance with the laws of New York State on marriages and, subject to compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall include a married couple holding a joint membership and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect to the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member, shall have the effect of revoking a proxy executed by either or both, and shall constitute joint waiver of notice of the meeting;
- (b) the vote of either separately or both jointly shall constitute one joint vote;
- (c) a proxy executed by either or both shall constitute one joint proxy;
- (d) a waiver of notice signed by either or both shall constitute a joint waiver;
- (e) notice to either shall constitute notice to both;
- (f) expulsion of either shall terminate the joint membership;
- (g) withdrawal of either shall terminate the joint membership;
- (h) either but not both may be elected or appointed as an officer or director, provided that both meet the qualifications for such office. Section 4.

CONVERSION OF MEMBERSHIP.

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her joint owner to comply with the Articles of Incorporation, Bylaws and Rules and Regulations adopted by the Board of Directors. The outstanding membership certificate shall be null and void and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.
- (b) Upon the death of either joint owner who is a party to the joint membership,

such membership shall be held solely by the survivor. The outstanding membership certificate shall be null and void 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 any debts due the Cooperative.

Section 5. PURCHASE OF ELECTRIC ENERGY. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in the application for membership except for electricity that might be generated by the member on his, her, their, or its premises, if the Board of Directors agrees to accept said electricity as a matter of its discretion. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the Cooperative such minimum amount per month, regardless of the amount of electric energy consumed, 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 6. TERMINATION OF MEMBERSHIP. Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds of all the Directors, expel any member who shall have refused or failed 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 members shall have been given written notice by the Cooperative that such refusal or failure makes him liable to expulsion and such refusal or failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board of Directors or by vote of the members at any annual or special meeting.

Upon the withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall thereupon terminate, and the membership certificate of such member shall be null and void. Upon termination of membership by withdrawal, death, cessation of existence or expulsion, the membership monies originally paid shall become part of donated capital. Termination of membership in any manner shall not release a member or the member's estate from any debts due the Cooperative.

Article II RIGHTS AND LIABILITIES OF MEMBERS

Section 1. PROPERTY INTEREST OF MEMBERS. Upon dissolution, after (a) all debts and liabilities of the Cooperative shall have been paid, and (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bear to the total patronage of all members during the existence of the Cooperative insofar as is practicable.

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

Section 3. RIGHTS-OF-WAY ACROSS MEMBER PROPERTIES. Each member shall grant to the Cooperative an easement or right-of-way across the member's property, in an existing easement location or a location to be agreed upon in advance between the member and the Cooperative, for the purposes of extending electric and fiber broadband service provided by the Cooperative or a subsidiary thereof to member and to other member/consumers, and erection, maintenance and replacement of electric transmissions and distribution lines.

Section 4. DISPUTE RESOLUTION. All disputes, claims, or controversies arising from or related in any way to the Cooperative's provision of electric, internet, telecommunications or other services, or its furnishing of any goods or its conduct of its operations, other than disputes or claims related to the payment for electric energy provided by the Cooperative that are not resolved by agreement of the parties, shall at the request of any party, be resolved by binding arbitration by an impartial arbitrator or panel, pursuant to written procedures to be established from time to time by the Board of Directors. Each member of the Cooperative agrees to arbitrate all such disputes, claims, or controversies according to this Bylaw and the policies or regulations prescribed by the Board of Directors and to abide by and perform any awards made hereunder. This bylaw provision shall survive any withdrawal from or termination of a membership in the Cooperative.

Article III MEETINGS OF MEMBERS

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

Section 2. SPECIAL MEETINGS. Special meetings of the members may be called by resolution of the Board of Directors, or upon a written request signed by any three Directors, by the President, or by ten per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members shall be held at any place within one of the counties served by the Cooperative as designated by the Board and shall be specified in the notice of the special meeting.

Section 3. NOTICE OF MEMBERS' MEETINGS. Written, electronic, or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business other than that listed in Section 7 of this Article is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than sixty days before the date of the meeting, either personally, electronically, or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the person calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. 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. If the total number of members exceeds five hundred, then fifty members shall constitute a quorum. If the total number of members does not exceed five hundred, then ten per cent of the total number of members present in person or by electronic means (if put into effect by the Board of Directors for that specific meeting) shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice, provided, that the Secretary shall notify any absent members of the time and place of such adjourned meeting. If the Board of Directors decides to allow electronic attendance at such meeting, it shall adopt a resolution to that effect at a board meeting held prior to the meeting with notice thereof to be given to all members as set forth above in Section 3.

Section 5. VOTING. Each member shall be entitled to only one vote. Votes can be cast in person, by proxy (under Article III Sec. 6 below), or, if allowed as a matter of discretion by the Board of Directors, by electronic means. All questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, or by electronic voting if the Board of Directors decides to allow such voting, except as otherwise provided by law, the Articles of Incorporation or these Bylaws. Proxy votes may not be exercised by any members attending electronically.

Section 6. PROXIES and ELECTRONIC VOTING. (a) A member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be valid after sixty days from the date of its execution. No proxy shall be valid 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. A member may give his proxy only to another member or to an adult relative living in the same home with such member, and no person may hold more than three proxies at any meeting. The presence of a member at a meeting shall revoke a proxy theretofore executed by him and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy. (b) At the discretion of the Board, the Board may adopt a resolution at a regularly held Board Meeting to allow voting by electronic means.

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

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

Article IV DIRECTORS

Section 1. GENERAL POWERS. The business and affairs of the Cooperative shall be managed by a Board of seven Directors which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

Section 2. QUALIFICATIONS AND TENURE. If the election of directors shall not be held on the day designated herein for the 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. Each director shall be elected for a term of three years. To become a director of the Cooperative, a person must comply with the following:

- (a) be a natural person, an active member, and a bona-fide resident in the area served by the Cooperative for at least one year prior to seeking election as a director;
- (b) must not be employed by or financially interested in an enterprise competing against the Cooperative or holding a direct conflict of interest against the interests of the Cooperative; "financially interested" shall mean no more than five percent ownership as an investor in a competing enterprise; ;
- (c) must not fail to attend two-thirds of directors' meetings in a twelve-month term commencing in August of any year or fail to attend four consecutive meetings, unless excused by action of the Board of Directors upon good cause shown; a director may attend a meeting electronically or by phone occasionally but a director must attend at least two-thirds of the meetings in person unless excused by the Board for good cause shown;
- (d) must not be an employee of the Cooperative or a former employee of the Cooperative within the past thirty-six months;
- (e) cannot be a close relative of another director or employee of the Cooperative (the term "close relative" is defined as a spouse, domestic partner, child, stepchild, parent, sibling, or niece or nephew);
- (f) has not been convicted of or plead guilty to a felony or a serious misdemeanor;
- (g) must have the capacity to enter legally binding contracts; and
- (h) does not currently owe or has not owed the Cooperative or its subsidiaries for services rendered for more than ninety days in arrears.

Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions, it shall immediately become incumbent upon the Board of Directors to review the facts and remove such director from office if a violation is found under Section 5 below. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

Section 3. NOMINATIONS. It shall be the duty of the Board of Directors to appoint, not less than thirty days nor more than seventy-five days before the date of a meeting of the members at which directors are to be elected, a committee on nominations and elections comprised of five members who shall be selected from different sections of the electric service area so as to insure fair geographic representation to the extent practicable. No member of the Board of Directors may serve on such committee. The committee, keeping in mind the principle of fair geographic representation, shall review, certify, and post at the principal office of the Cooperative at least twenty days before the meeting a list of nominations for directors. Any fifteen or more members acting together shall make nominations by petition not less than seventy-five days prior to the meeting. If at least one petition for nomination is not received and certified, the Nominations and Elections

Committee will have the authority to appoint nominees. The Secretary shall be responsible for mailing with the notice of the meeting or separately, but at least ten days before the date of the meeting, a statement of the number of directors to be elected and the names and addresses of the certified candidates.

Section 4. REMOVAL OF DIRECTORS BY MEMBERS. Any member may bring charges against a director by filing such charges in writing with the Secretary, together with a petition signed by at least ten per cent of the members requesting the removal of such director by reason thereof. The director against whom such charges have been brought shall be informed in writing of the charges at least five days prior to the meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against said director shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the next regular or special meetings of the members and any vacancy created by such removal may be filled by vote of the members at such meeting in compliance with the foregoing provisions with respect to qualifications and nominations of directors.

Section 5. REMOVAL OF DIRECTORS BY BOARD OF DIRECTORS. The majority of the board of directors at a duly noticed and held regular or special meeting of the board, may remove a director from the board if that director has failed to meet an objective qualification or requirement prescribed by these bylaws. The director against whom such charges have been brought shall be informed in writing of the charges at least five days prior to the meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect to the charges. The question of the removal of such director shall be considered and voted upon at the next regular or special meetings of the board of directors and any vacancy created by such removal may be filled in accordance with Section 6 of this Article IV of the bylaws.

Section 6. VACANCIES. Subject to the provisions of these Bylaws with respect to Article IV Section 4 to the filling of vacancies caused by the removal of directors by the members, a vacancy otherwise occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term of the director in respect of whom the vacancy occurs.

Section 7. COMPENSATION. Directors as such shall not receive any salary for their services. However, by resolution of the Board of Directors, a fixed sum may be paid for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences and training programs or performing committee assignments as authorized by the Board. If authorized by the Board, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of their expenses. 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 the payment of compensation shall be specifically authorized by a vote of members or the service by such directors or close relative shall have been certified by the Board of Directors as an emergency measure. "Close relative" shall be defined as set forth above in Section 2 of this Article IV.

Article V 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 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 President or by any three directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the directors calling the meeting shall fix the time and place for the holding of the meeting.

Section 3. NOTICE OF DIRECTORS' MEETINGS. Written or electronic notice of the time, place and purpose of any special meeting of the Board of Directors shall be delivered not less than five days previous thereto, either personally, by mail, or electronically by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the directors calling the meeting, to each director. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Cooperative with postage prepaid.

Section 4. QUORUM. A majority of the Board of Directors shall constitute a quorum, provided, that if less than such majority of the directors is present either in person, electronically, or by telephone, at said meeting a majority of the directors present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of the majority of the directors, present in person, electronically, or by phone, at a meeting at which a quorum is present shall be the act of the Board of Directors, except as otherwise provided in these Bylaws.

Article VI OFFICERS

Section 1. NUMBER. The officers of the Cooperative shall be a President, Vice President, Secretary and Treasurer and such other officers as may be determined by the Board of Directors from time to time. 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 meeting of the Board of Directors held directly after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term.

Section 3. REMOVAL OF OFFICERS AND AGENTS BY DIRECTORS. 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. In addition, any member of the Cooperative may bring charges against an officer by filing such charges in writing with the Secretary, together with a petition signed by ten per centum of the members and request the removal of the particular officer by reason thereof. The officer against whom such charges have been brought shall be informed in writing of the charges at least five days prior to the meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such officer shall be considered and voted upon at the next regular or special meeting of the members.

Section 4. PRESIDENT. The President shall:

- (a) be the principal officer of the Cooperative and, unless otherwise determined by the members or the Board of Directors shall preside at all meetings of the members and the Board of Directors;
- (b) sign, with the Secretary, certificates of membership; the issue of which shall have been authorized by the Board of Directors or the members, 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 by law to be otherwise signed or executed; and
- (c) in general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

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

Section 6. SECRETARY. It shall be the responsibility of the Secretary to:

- (a) keep the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose;
- (b) see that all notices are 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 affix the seal of the Cooperative 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 names and post office addresses of all members; (e) sign, with the President, certificates of membership, the issue of which shall have been authorized by the Board of Directors of the members;

(f) have general charge of the books of the Cooperative in which a record of the members is kept;

keep on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Cooperative, forward a copy of the Bylaws and of all amendments thereto to each member, upon written request of the member; and 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 7. TREASURER. It shall be the responsibility of the Treasurer to:

(a) have charge and custody of and be responsible for all funds and securities of the Cooperative;

(b) be responsible for the receipt of and the issuance of receipts for monies due and payable to the Cooperative from any source whatsoever, and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions in 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 8. CHIEF EXECUTIVE OFFICER. The Board of Directors may appoint a Chief Executive Officer who may be, but who shall not be required to be, a member of the Cooperative. The Chief Executive Officer shall perform such duties and shall exercise such authority as the Board of Directors may from time-to-time vest in him or her.

Section 9. BONDS OF OFFICERS. At the Cooperative's expense, the Cooperative may purchase a bond covering a Cooperative Official.

Section 10. COMPENSATION. The powers, duties and compensation of any officers, agents and employees shall be fixed by the Board of Directors, subject to the provisions of these Bylaws with respect to compensation for directors and close relatives of directors.

Section 11. REPORTS. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

Article VII NON-PROFIT OPERATION

Section 1. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

Section 2. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY.

- (a) In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will through their patronage, furnish capital for the Cooperative.
- (b) 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 for all amounts received and receivable from the furnishing of electric energy exceeding operating costs and expenses properly chargeable against the furnishing of electric energy (hereafter "Electric Margins").
- (c) All such amounts exceeding 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 allocate these margins by making credits to a capital account for each patron all such amounts exceeding operating costs and expenses. Provided, however, that any underpayments of capital, incurred by reason of operating deficit or loss in any prior year or years shall be first deducted from the overpayments of capital in the current or future years before any capital is allocated to the patron.
- (d) The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so allocated to each patron is clearly reflected and allocated in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so allocated to his account. All such amounts allocated 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 of capital.
- (e) All other amounts received by the Cooperative in excess of costs and expenses, other than from the furnishing of electric energy, shall be (i) used to offset any losses incurred during the current or any prior fiscal year, (ii) to the extent not used for that purpose, available to create unallocated reserves and retained capital not currently assignable to the patrons, and (iii) to the extent not used for these purposes, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital allocated to the accounts of patrons, as herein provided.
- (f) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding patronage 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 shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital allocated and credited to patrons' accounts may be retired in full or in part. Subject to sound financial and business practices, the

timing and amount of such retirements of capital shall be made at the discretion of the Board of Directors. However, any such retirements shall be made in order of priority according to the year in which the capital was allocated and credited, the capital first received by the Cooperative being first retired or in any other way deemed appropriate by the Board of Directors.

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

(h) Notwithstanding any other provision of these Bylaws, the Board 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 allocated 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 allocated to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided however, that the financial condition of the Cooperative will not be impaired thereby.

(i) Unclaimed patronage capital which cannot be refunded to the member or former member after reasonable efforts to locate said member or former member shall be added to the Cooperative's donated capital. The Cooperative's mailing of a check to the member or former member's last known address by first class mail shall constitute reasonable effort to locate said member or former member.

(j) Any accumulated patronage capital which is being retired shall first be applied by offset against any delinquent account balance due the Cooperative from the member or former member not currently receiving service; this right of offset only applies to the amount retired and approved for payment by the Board of Directors.

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.

Section 3. PATRONAGE REFUNDS IN CONNECTION WITH FURNISHING OTHER SERVICES. In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable there from which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be pro-rated annually on a patronage basis and returned to those patrons, members and non-members alike, from whom such amounts were obtained.

Section 4. NET MARGINS FROM NON-MEMBER PATRONAGE. To the extent the goods and services referred to above in Article VII Section 3 are provided on a non-patronage basis, including earnings or losses from a subsidiary corporation or entity, to non-member consumers which are not entitled to receive patronage capital, the net margins resulting from such non-patronage sales may be used at the discretion of

the Board of Directors, as permitted by law, to: (i) offset losses incurred in the current or prior years; or (ii) create unallocated reserves and retained capital not currently assignable to the patrons, or (iii) to the extent not used for these purposes, allocated to its member-patrons on a patronage basis and any amount so allocated shall be included as part of the capital allocated to the accounts of member-patrons as herein provided.

Article VIII DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all of the members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative to the United States of America, or any instrumentality or agency thereof, the National Rural Utilities Cooperative Finance Corporation, or any financing institution founded and operating on cooperative principles for the purposes of financing member programs, projects, or undertakings, in which the Cooperative holds membership; provided further that the Board may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another Cooperative or foreign corporation doing business in this state pursuant to the act under which this Cooperative is incorporated.

Article IX 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, New York".

Article X FINANCIAL TRANSACTIONS

Section 1. CONTRACTS. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, employee, 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. Except as otherwise provided by law or in these Bylaws, all checks, drafts, electronic fund transfers or payments, 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, 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 except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board may select.

Section 4. CHANGE IN RATES. Written notice shall be given to Members not less than ninety days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

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

Article XI MISCELLANEOUS

Section 1. MEMBERSHIP IN OTHER ORGANIZATIONS. The Cooperative shall upon the authorization of the Board of Directors have full power and authority to purchase stock in or to become a member of any corporation or cooperative, organization, association, council, or authority for the purpose of engaging in or supporting rural electrification or the Cooperative's other lawful activities.

Section 2. WAIVER OF NOTICE. Any member or director may waive in writing, any notice of a meeting required to be given by these Bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director, except in case a member or 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 3. POLICIES, RULES AND REGULATIONS. The Board of Directors shall have power to make and adopt such policies, rules, and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

Section 4. ACCOUNTING SYSTEM AND REPORTS. The Board shall cause to be established and maintained a complete accounting system which shall conform to applicable laws and rules and regulations of any regulatory body with oversight authority or in conformance with general accounting principles. The Board shall also, after the close of each fiscal year, cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting.

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

Article XII AMENDMENTS

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