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BYLAWS OF

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# Jo-Carroll Energy



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Revised and Approved by the Membership – June 05, 2023

Restated

Bylaws of

Jo-Carroll  
Energy, Inc.

793 U.S. 20 West  
P.O. Box 390  
Elizabeth, Illinois 61028-0390

As approved June 5, 2023

JO-CARROLL ENERGY, INC.  
BYLAW CONTENTS

**ARTICLE I – DEFINITIONS**

Section 1	General Provisions .....	6
Section 2	Specific Definitions (Reserved) .....	6

**ARTICLE II – MEMBERSHIP**

Section 1	Membership Eligibility .....	6
Section 2	Membership Form.....	6
Section 3	Member Responsibilities .....	7
Section 4	Joint Membership.....	7
Section 5	Conversion of Membership.....	8
Section 6	Member Classes .....	8
Section 7	Membership Agreement.....	8
Section 8	Termination of Membership .....	9
Section 9	Non-Liability for Debts of the Cooperative.....	10
Section 10	Provision of Cooperative Services.....	10
Section 11	Purchase of Cooperative Services.....	10
Section 12	Member Grant of Property Rights .....	11

**ARTICLE III – MEETINGS OF MEMBERS**

Section 1	Annual and Regular Member Meetings .....	12
Section 2	Special Meetings .....	12
Section 3	Permitted Member Action at Member Meetings .....	12
Section 4	Notice of Members’ Meetings .....	12
Section 5	Quorum .....	12
Section 6	Voting .....	13
Section 7	Participation in Member Meetings Through Conference Telephone or Other Communications Equipment.....	13
Section 8	Proxies.....	13
Section 9	Informal Action Not Permitted .....	13
Section 10	Order of Business.....	13

**ARTICLE IV – DIRECTORS**

Section 1	General Powers .....	13
Section 2	Director Districts.....	14
Section 3	Board.....	14
Section 4	Tenure, and Qualifications.....	14
Section 5	Nomination and Election of Directors .....	16
Section 6	Vacancies .....	18
Section 7	Removal of Director by District Members .....	18
Section 8	Compensation .....	19
Section 9	Committees .....	19

## **ARTICLE V – MEETINGS OF DIRECTORS**

Section 1	Regular Meetings .....	19
Section 2	Special Meetings .....	20
Section 3	Notice .....	20
Section 4	Quorum .....	20
Section 5	Manner of Acting .....	20
Section 6	Informal Action by Directors .....	20
Section 7	Robert’s Rules of Order .....	20
Section 8	Director Participation in Board Meetings by Telephone .....	20

## **ARTICLE VI – OFFICERS**

Section 1	Number .....	21
Section 2	Election and Term of Office .....	21
Section 3	Removal .....	21
Section 4	Vacancies .....	21
Section 5	Chairman of the Board .....	21
Section 6	Vice Chairman .....	21
Section 7	Secretary .....	21
Section 8	Treasurer .....	22
Section 9	General Manager/President/Chief Executive Officer .....	22
Section 10	Bond of Officers .....	22
Section 11	Reports .....	22

## **ARTICLE VII – FINANCIAL TRANSACTIONS**

Section 1	Contracts .....	23
Section 2	Checks, Drafts, Etc. ....	23
Section 3	Deposits.....	23
Section 4	Fiscal Year .....	23
Section 5	Accounting Systems and Reports .....	23

## **ARTICLE VIII – COOPERATIVE OPERATION**

Section 1	Cooperative Operation (Interest or Dividends on Capital Prohibited) .....	23
Section 2	Allocating Capital Credits (Patronage Capital in Connection With Furnishing Electric Energy) .....	23
Section 3	Notification and Assignment of Capital Credits .....	25
Section 4	Retiring Capital Credits .....	25
Section 5	Patron Agreement .....	26
Section 6	Reasonable Reserves.....	26

## **ARTICLE IX – DISPOSITION AND MORTGAGING OF PROPERTY, MERGER AND OFFER TO SELL**

Section 1	Disposition and Mortgaging of Property in General.....	27
Section 2	Merger.....	27
Section 3	Procedure for the Sale of all or Substantially all of the Cooperative Property ...	27

## **ARTICLE X – VOLUNTARY DISSOLUTION**

Section 1	Voluntary Dissolution.....	28
-----------	----------------------------	----

## **ARTICLE XI – MISCELLANEOUS**

Section 1	Membership in Other Organizations.....	28
Section 2	Waiver of Notice.....	28
Section 3	Rules of Order.....	28
Section 4	Fiscal Year.....	29
Section 5	Governing Law.....	29
Section 6	Titles and Headings.....	29
Section 7	Partial Invalidity.....	29
Section 8	Cumulative Remedies.....	29
Section 9	Entire Agreement.....	29
Section 10	Successors and Assigns.....	29
Section 11	Waiver.....	29
Section 12	Lack of Notice.....	29

## **ARTICLE XII – BUSINESS OFFICE**

Section 1	Business Office .....	29
-----------	-----------------------	----

## **ARTICLE XIII – INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS**

Section 1	Indemnification .....	30
-----------	-----------------------	----

## **ARTICLE XIV – AMENDMENTS**

Section 1	Amendments to Articles of Incorporation .....	30
Section 2	Amendments to Bylaws .....	30

## **ARTICLE XV – ARBITRATION**

Section 1	Arbitration.....	30
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# Bylaws of

## Jo-Carroll Energy, Inc.

### ARTICLE I DEFINITIONS

**Section 1. General Provisions.** Within these Bylaws of Jo-Carroll Energy, Inc. (NFP) as currently existing or as later amended (“Bylaws”):

- (a) Unless otherwise provided, words and phrases used in these Bylaws have their customary and ordinary meaning;
- (b) The singular use of any word includes the plural use, and the plural use of any word includes the singular words;
- (c) 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;
- (d) The present tense of any word includes the past and future tenses, and the future tense of any word includes the present tense; and
- (e) The words “shall” or “must” indicate a mandatory action or requirement, and the word “may” indicates a permissive action or requirement.

**Section 2. Specific Definitions.** (Reserved)

### ARTICLE II MEMBERSHIP

**Section 1. Membership Eligibility.** Any (1) natural person, (2) firm, (3) association, (4) corporation, (5) business trust, (6) partnership, (7) limited liability company, (8) state, state agency, or state political subdivision, (9) foreign government, (10) United States of America, or any federal agency or political subdivision, or (11) other body politic, (collectively, “person”):

- (a) As required or allowed by Law, using, receiving, or purchasing any service, product, commodity, equipment, or facility from or through Jo-Carroll Energy, Inc. (NFP) reasonably related to Jo-Carroll Energy, Inc. (NFP) furnishing, or the person receiving, electric power, natural gas and/or telecommunications/broadband services; or
- (b) As required or allowed by Law, using, receiving, or purchasing any other service, product, commodity, equipment, or facility from or through Jo-Carroll Energy, Inc. (NFP), (collectively, “Cooperative Services”),

shall thereby become a Member. No person may hold more than one (1) membership. Unless required by Law or otherwise provided in these Bylaws, and unless allowed in writing by the Board of Directors of Jo-Carroll Energy, Inc. (NFP) (“Board”), no membership, and no right or privilege associated with membership, may be sold, purchased, assigned or otherwise transferred.

**Section 2. Membership Form.** Any such Member shall, at the request of the Cooperative and as allowed by Law, complete a written or electronic Membership Form as provided by the Cooperative.

**Section 3. Member Responsibilities.** All Members of the Cooperative shall:

- (a) Comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any policies, rules, and regulations adopted by the Board of Directors; and
- (b) Pay the membership fee; and
- (c) At prices, rates, or amounts determined by the Board, and in a manner specified by the Cooperative, pay the Cooperative for all:
  - (1) Cooperative Services 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
  - (2) Reasonable dues, assessments, fees, deposits, contributions, or other amounts required by these Bylaws or the Board; and
  - (3) Dues, assessments, fees, deposits, contributions, or other amounts required by Law;
- (d) Complete any additional or supplemental document or contract required by the Board for the Cooperative Service which a Member may seek to use, receive or purchase;
- (e) Pay the Cooperative any reasonable dues, assessments, fees, deposits, contributions, or other amount required by these Bylaws or the Board;
- (f) Pay the Cooperative any dues, assessments, fees, deposits, contributions or other amounts required by law; and
- (g) Unless waived in writing by the Board, or waive pursuant to Board policy generally applicable to Applicants, pay the Cooperative any outstanding amounts owed the Cooperative by the Member; and
- (h) Allow the Cooperative to send electronic communication to the Member if the Member has provided the Cooperative with an email address or telephone number, whether or not the Member has expressly opted-in to receive electronic communications from the Cooperative, and shall hold the Cooperative harmless for Cooperative's use of Member telephone or email information in communicating with the Member.

**Section 4. Joint Membership.**

- (a) Any membership in the Cooperative commenced after March 31, 1988, by any person(s) in a legal union recognized by the State of Illinois, shall be deemed and become a membership by spouses or partners as joint tenant members with right of survivorship, unless the Member designates otherwise in writing.
- (b) With respect to memberships issued prior to March 31, 1988, the membership of any person who on March 31, 1988, was married, or who thereafter while a member entered into a legal union recognized by the State of Illinois, shall be deemed to have become, and did become at such time, a membership in spouses and/or partners as joint tenant members with right of survivorship without further action by such member, unless within 30 days after March 31, 1988, or 30 days after the date of legal union, whichever date is later, the person to whom such membership issued otherwise designated in writing.
- (c) The term "member" as used in these Bylaws shall be deemed to include spouses or legal partners holding a joint membership and any provisions relating to the rights and

liabilities of membership shall apply equally with respect to the holders of a joint membership, including, without limitation the following:

- (1) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
  - (2) The vote of either separately or both jointly shall constitute a joint vote;
  - (3) A waiver of notice signed by either or both shall constitute a joint waiver;
  - (4) Notice to either shall constitute notice to both;
  - (5) Expulsion of either shall terminate the joint membership;
  - (6) Withdrawal of either shall terminate the joint membership; and
  - (7) Either but not both may be elected or appointed as an officer or board member, provided that both meet the qualifications for such office.
- (d) The records of the Cooperative shall properly show all joint memberships in the names of the joint members. By writing signed by both joint members and filed with the Cooperative, any joint membership may be terminated and changed to a membership in common or vested solely in one of the joint members.
- (e) Upon the death of either spouse, or other person, who is the party to a joint membership such membership shall be held solely by the survivor and the records of the Cooperative shall be changed to show membership solely in the survivor, provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

**Section 5. Conversion of Membership.** By a written request signed by all persons having an interest therein, a membership in the name of one person, a joint membership, or a membership as tenants in common, may be converted to a membership of another of the three types. Such written request shall contain the agreement by all persons having an interest in the membership involved, to comply with the articles of incorporation, bylaws and rules and regulations adopted by the Board of Directors. The changed membership status shall be indicated on the records of the Cooperative.

**Section 6. Member Classes.** Based upon a Member's use, receipt, or purchase of one (1) or more Cooperative Services, the Cooperative may group Members in the following classes ("Member Classes"):

Class A Member: Any Member using, receiving, or purchasing –

- (a) Solely from and through the Cooperative all electric power, natural gas and/or telecommunications/broadband services used, received, or purchased for; and
- (b) All Cooperative Services associated with, or regarding, the provision of electric power, natural gas and/or telecommunications/broadband services to a residential, or commercial, dwelling or structure, owned, controlled, or directly occupied by the Member.

Class B Member: Any Member using, receiving or purchasing any Cooperative Service regarding the provision of electric power, natural gas and/or telecommunications/broadband services to any dwelling or structure owned, controlled, or directly occupied by the Member.

**Section 7. Membership Agreement.** The Articles of Incorporation and these Bylaws are contracts between the Cooperative and a Member. By becoming a Member, each Member acknowledges that:

- (a) Every Member is a vital and integral part of the Cooperative;
- (b) The Cooperative's successful operation depends upon every Member complying with the Governing Documents; and



(c) All Members are united in an interdependent relationship.

A Member shall:

- (a) Comply with the Governing Documents;
- (b) Provide and maintain a current mailing address, telephone number or email address, if any, with the Cooperative; and
- (c) Pay the Cooperative for the Cooperative's damages, costs, or expenses, including attorney fees and legal expenses, caused by or associated with the Member's failure to comply with the Governing Documents.

If a Member fails to comply with the Governing Documents, then, as provided by these Bylaws, the Cooperative may suspend or terminate the Member or the Cooperative Service provided to the Member. Regardless of whether money damages are available or adequate, the Cooperative may:

- (a) Bring and maintain a legal action to enjoin the Member from violating the Governing Documents; and
- (b) Bring and maintain a legal action to order the Member to comply with the Governing Documents.

In general, a Member is not liable to third parties for the Cooperative's acts, debts, liabilities, or obligations solely because of membership in the Cooperative. A Member may become liable to the Cooperative as provided in the Governing Documents or as otherwise agreed to by the Cooperative and the Member.

#### **Section 8. Termination of Membership.**

- (a) Any Member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. Subject to any regulations imposed by lawful authority, the Board of Directors may, by the affirmative vote of not less than two-thirds (2/3) of all Members of the Board of Directors, expel any Member who fails to comply with any of the provisions of the articles of incorporation, by-laws, policies, rules or regulations adopted by the Board of Directors, but only if such Member shall have been given written notice by the Cooperative, via registered United States mail, that such failure makes him or her liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was mailed. 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. The membership of a Member who for a period of six (6) months after service is available has not purchased electric power, natural gas and/or telecommunications/broadband services from the Cooperative, or of a Member who has ceased to purchase electric power, natural gas, and/or telecommunications/broadband services from the Cooperative, may be cancelled by resolution of the Board of Directors.
- (b) Upon the withdrawal, death, or expulsion of a member, or cessation of existence of a member which is other than a natural person, the membership of such member shall thereupon terminate, and the membership certificate of such member, if any, shall automatically be cancelled. Termination of membership in any manner shall not release a member, his estate, or, if the member is other than a natural person, shall not release the entity, from any debts due the Cooperative.
- (c) Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues to occupy or use the premises covered by such membership, in the same manner and to the same effect as though such membership had never been joint. This provision shall not affect the

ownership of funds held by the Cooperative in the names of the joint owners, and further provided, that neither joint owner shall be released from debts due the Cooperative arising from the joint ownership.

- (d) A member who has been expelled or who has terminated membership in the Cooperative does not affect the rights the Cooperative has in regards to any service area agreement the Cooperative may have with any public utility or municipal utility, nor shall it affect any rights of the Co-operative pursuant to the Illinois Electric Supplier Act.

**Section 9. Non-Liability for Debts of the Cooperative.** The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative, and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

**Section 10. Provision of Cooperative Services.** The Cooperative shall provide Cooperative Services to Members in a reasonable manner. The Cooperative, however, neither guarantees nor warrants continuous or flawless provision of Cooperative Services. The Cooperative's responsibility and liability for providing Cooperative Services terminates upon delivery of any Cooperative's Service 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:

- (a) 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");
- (b) Discovering the unsafe condition of any Cooperative Equipment; or
- (c) Discovering any imminent hazard or danger posed by any Cooperative Equipment; then, without providing the Member notice or an opportunity to comment, the Cooperative may suspend the Member, and may suspend or terminate provision of Cooperative Services to Member.

**Section 11. Purchase of Cooperative Services.** As required or allowed by Law, and unless otherwise specified in writing by the Board, each Member shall use, receive, or purchase Cooperative Services 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 Cooperative Services to the Member.

- (a) 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:
  - (1) Cooperative Services 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
  - (2) Reasonable dues, assessments, fees, deposits, contributions, or other amounts required by Law, these ByLaws, or the Board.
  - (3) A subscription to ILLINOIS COUNTRY LIVING, or a successor publication, published by the Association of Illinois Electric Cooperatives, a newsletter

published by this Cooperative, or other publication whose purpose and objective is to provide news and information concerning this Cooperative, the electric cooperatives in Illinois and the nation. The Board of Directors shall select the publication.

- (b) Interest and Late Payment Fees. As determined by the Board, Members shall pay interest, compounded periodically, 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.
- (c) Reduction in Cooperative Services. As required or allowed by Law, and as determined by the Board,
  - (i.) If a Member substantially reduces or ceases the Member's use, receipt, or purchase of Cooperative Services, either singly or in combination; then
  - (ii.) 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 preceasing use, receipt, or purchase of Cooperative's Services.

**Section 12. Member Grant of Property Rights.** As required by the Cooperative for a Cooperative Purpose, each Member shall: (1) Provide the Cooperative temporary, or permanent, safe and reliable access to, and use of any portion of Member Property; and (2) pursuant to terms and conditions specified by the Cooperative, and without compensation from the Cooperative, grant or convey to the Cooperative a written or oral easement, right-of-way, license, or right or interest in Member Property, and execute a document regarding this grant or conveyance.

A "Cooperative Purpose" is at any time, and in a manner determined by the Cooperative: (1) purchasing, installing, constructing, inspecting, monitoring, operating, repairing, maintaining, removing, relocating, upgrading, or replacing Cooperative Equipment or Member Equipment connected to Cooperative Equipment; (2) clearing, trimming, removing, or managing any trees, bushes, brush, or other vegetation; (3) providing a Cooperative Service to a member or one or more other Members; (4) monitoring, measuring, or maintaining a Cooperative Service provided to a Member or one or more other Members; (5) Providing electric energy, gas or broadband services to a Person or one or more other Persons; (6) monitoring, measuring, or maintaining electric energy provided to a Person or one or more other Persons; (7) authorizing, permitting, satisfying, or facilitating an obligation incurred, or right granted, by the Cooperative regarding use of Cooperative Equipment; or (8) safely, reliably, and efficiently operating the Cooperative or providing a 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 any Cooperative Service to any Member or Person.

## **ARTICLE III MEETINGS OF MEMBERS**

**Section 1. Annual and Regular Member Meetings.** Within a county in which the Cooperative provides any Cooperative Services, the Cooperative:

- (a) Shall annually hold a meeting of Members (“Annual Member Meeting”); and
- (b) Shall regularly hold meetings of Members (“Regular Member Meeting”).

The Board shall determine the date, time, and location of any Annual Member Meeting or Regular Member Meeting.

At the Annual Member Meeting, the President and Treasurer shall 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 Regular Member Meeting does not affect any action taken by the Cooperative.

**Section 2. Special Meetings.** Special meetings of all the members may be called by at least four (4) directors, by the Chairman of the Board, or by thirty percent (30%) or more of all of the membership, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings may be held at any place within the area served by the Cooperative as designated by the Board of Directors and shall be specified in the notice of the special meeting.

**Section 3. Permitted Member Action at Member Meetings.** At any Annual Member Meeting, Regular Member Meeting, or Special Member Meeting (collectively, “Member Meeting”), Members may consider, vote, or act only upon a matter for which:

- (a) Unless otherwise provided in these ByLaws, the Board and Members were notified properly;
- (b) The Members are authorized to consider, vote, or act; and
- (c) For a Special Member Meeting, the notice of the Special Member Meeting properly described.

**Section 4. Notice of Members’ Meetings.** Written or printed notice stating the place, day and hour, and in the case of a special member meeting, the purposes for which the meeting is called, shall be delivered not less than five (5) calendar days nor more than sixty (60) calendar days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon default in duty by the Secretary, by the persons calling the meeting, to each member; in the case of a removal of one or more directors, a merger, consolidation, dissolution or sale, lease or exchange of assets said notice must be given not less than 20 nor more than 60 days before the date of the meeting, by or at the direction of the Chairman of the Board, or the Secretary, or the officer or persons calling the meeting, to each member of record entitled to vote at such meeting. If mailed, the notice is given when it is deposited or when a newsletter or other publication of the Cooperative or of an affiliated organization which includes the notice is deposited, in the United States mail, with postage prepaid thereon, addressed to such person at his or her address as it appears on the records of the Cooperative. 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 5. Quorum.** The number of members to constitute a quorum at a meeting of members shall be fifty (50). In case of a joint membership, or a membership held by tenants in common, the presence at a meeting by either joint member or both, or by one of the tenants in common, shall be regarded as the presence of one member. If less than a quorum is present at

any meeting, a majority of those present may adjourn the meeting, provided a new notice is mailed to each member specifying the time and place of the adjourned meeting.

**Section 6. Voting.**

- (a) Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, the certificate of incorporation of the Cooperative, or these bylaws.
- (b) Members residing within a district from which a director is to be elected shall vote for director by ballot as hereinafter provided in these bylaws. Members who do not reside within, or member organizations not located within the Cooperative service area, shall vote for director to represent the district in which the member's premises receiving service are located. If the member receives service at locations in more than one district, the member shall be entitled to vote only in the district where the member's existing service was first received. If the member votes by mail ballot, the marked but unsigned ballot shall be enclosed in a sealed envelope which shall bear the signature of the member. In the counting of the votes, the envelope shall be separated from the ballot so that the member's vote shall remain secret, unless the Cooperative retains a 3<sup>rd</sup> party vendor to conduct balloting, in which case no separation shall be required.

**Section 7. Participation in Member Meetings Through Conference Telephone or Other Communications Equipment.** Unless the Board of Directors shall determine otherwise, as to a specific meeting, members entitled to vote at a membership meeting shall not participate in and act at any membership meeting through the use of a conference telephone or other communications equipment.

**Section 8. Proxies.** Proxy voting is prohibited at all meetings of members of this Cooperative and references to proxy voting in any part of these ByLaws are therefor null and void and shall be deleted.

**Section 9. Informal Action Not Permitted.** The taking of informal action by the members by written consent and without a meeting, as provided by the Illinois General Not For Profit Act of 1986, Paragraph 107.10, is not permitted.

**Section 10. Order of Business.** The Board shall determine the agenda and order of business for Member Meetings. All meetings of the Members shall be governed by Robert's Rules of Order, as amended.

## **ARTICLE IV DIRECTORS**

**Section 1. General Powers.** All powers of the Cooperative shall be exercised by or under authority of, and the business and affairs of the Cooperative shall be managed under the direction of, the Board of Directors, except as other-wise provided by law, the articles of incorporation, or these bylaws. The number of directors shall be equal to the number of directors as is set forth in Section 3 of this Article.

Powers of the Board of Directors (without limitation because of designation) shall include the determination and fixing of classifications of business and rates to be charged by the Cooperative for services furnished, the promulgation and enforcement of policies, rules and

regulations governing service to patrons, and the selection or nomination of directors, delegates or other representatives of the Cooperative at meetings of organizations of which the Cooperative may be a member including the power to remove such director, delegate or representative.

**Section 2. Director Districts.** The Cooperative may equitably divide the general area in which Members are located or reside (“Cooperative Service Area”) into ten (10) districts (“Director Districts”). If necessary, the Board may revise the Director District to ensure that Members are equitably represented by the Director Districts.

Within thirty (30) days following any Director District revision, and at least thirty (30) days before the next Annual Member Meeting, the Cooperative shall notify, in writing, any Members affected by the Director District revision. Director District revisions are effective on the date the Cooperative releases written notice of the Director District revision. No Director District revision may:

- (a) Increase an existing Directors’ Director Term; or
- (b) Unless the affected Director consents in writing, shorten any existing Director’s Director Term.

**Section 3. Board.**

- (a) The Cooperative shall have a board consisting of one natural person for each director district elected by the Class A and Class B members located or residing in each respective director district.

(b) **Reduction in Districts:** In the event a vacancy occurs on the board during an existing term, the Board of Directors may choose not to fill the board vacancy and instead reduce the number of Director Districts. The cooperative shall notify, in writing, any members affected by the reduction in Director Districts within thirty (30) days following the decision by the Board of Directors to reduce the number of Directors Districts and at least thirty (30) days before the next annual meeting. A Director may not resign after the date that petitions for nominations are submitted as set forth in Section 5.

**Section 4. Tenure and Qualifications.**

- (a) **Tenure.** Directors shall be elected for three-year terms on a staggered basis so that no more than three of such terms shall expire at each annual meeting. Each director elected shall serve until the annual meeting when the term expires, or until the successor is elected and qualified, subject to the provisions of these bylaws with respect to the removal of directors.

- (b) **Qualifications.** An individual shall be eligible to become or remain a director or hold a position of trust in the Cooperative if he/she meets the following qualifications:

- (1) is a natural person; and
- (2) is a member of the Cooperative; and
- (3) is in good standing with the Cooperative and is not otherwise suspended; and
- (4) is current in his/her payments or other indebtedness due the Cooperative; and
- (5) maintains his/her principal, primary residence in the District for which the person seeks to be elected or remain an elected or appointed Director, the address of which

must be supported by at least three (3) of the following:

- (i) the address shown on the person's driver's license;
  - (ii) the address shown on the person's Federal and State Income Tax Returns;
  - (iii) the address shown on the person's voter registration;
  - (iv) billing address shown for delivery of bills sent by the Cooperative for services provided to the person; and
- (6) is not in any way employed by or financially interested in a competing enterprise or a business selling energy or supplies to the Cooperative, or a business primarily engaged in selling electrical, natural gas, broadband or plumbing appliance fixtures, supplies or other related materials to members of the Cooperative; and
  - (7) has the legal capacity to enter into a binding contract; and
  - (8) has not been convicted of a felony; and
  - (9) as a Director or Director candidate has submitted to a background check of the type typically available to employers, if such a background check is required as a result of a rule promulgated by the Board of Directors; and
  - (10) as a director, does not miss more than three (3) regular or special Board meetings in any twelve (12) consecutive months.
  - (11) as a Director, has completed all training offered by the National Rural Electric Cooperative Association (NRECA) to have successfully completed the Credentialed Cooperative Director Program as defined by the NRECA (or a similar NRECA program) no later than the end of the Director's first full term of service as a Director; and
  - (12) as a Director, has completed all training offered by the National Rural Electric Cooperative Association (NRECA) to have successfully completed the Board Leadership Program as defined by the NRECA (or a similar NRECA program) no later than the end of the Director's second full term of service as a Director.
- (c) Disqualification.** Upon the establishment of the fact that any person being considered for director and having submitted a valid Petition for Nomination, or already holding a position of director, may lack eligibility to become or remain a director, it shall be the duty of the directors, upon reasonable notice to the person whose eligibility is in question, to hold a hearing on such matter. The directors shall find and determine whether such person is ineligible to become a director, or if already a director, is ineligible to remain a director under the qualifications provided in these bylaws. In making such determination, if the person whose eligibility is being considered is a director, that person may not vote. If the remaining directors determine by a majority vote that the person, if a candidate, is ineligible to become a director, then such person's name shall be withdrawn as a candidate for director. If the person is already a director, then that person shall be ineligible to remain a director, and his or her office as a director shall forthwith become vacant.
- (d) Conflict of Interest Director Qualifications.** While a Director or as a Director candidate, one must not be, nor have been:
- (1) During the one (1) year immediately prior to becoming a Director, a Close Relative of any existing Director, other than an existing Director who will cease being a Director within one (1) year;
  - (2) During the three (3) years immediately prior to becoming a Director, an existing, or close relative of any existing, non-Director Cooperative Officer, employee, agent, or a representative;

- (3) During the one (1) year immediately prior to becoming a Director, employed by, materially affiliated with, or share a material financial interest with, any other Director; or
  - (4) During the one (1) year immediately prior to becoming a Director, engaged in, nor employed by, materially affiliated with, or have a material financial interest in any individual or entity:
    - (i.) Directly and substantially competing with the Cooperative; or
    - (ii.) Selling goods or services in substantial quantity to the Cooperative; or
    - (iii.) Possessing a conflict of interest with the Cooperative;
  - (5) During the one (1) year immediately prior to becoming a Director, and while serving as a Director, be a party in a mediation, arbitration, lawsuit, or other legal action against or by the Cooperative or a Cooperative subsidiary.
- (e) **Continuing Director Qualifications.** Only natural persons complying with the Director Qualifications and Conflict of Interest 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 Director Qualifications and Conflict of Interest Director Qualifications, then, unless otherwise determined by the Board for good cause, the Director is no longer a Director. If at least a majority of Directors authorized by these ByLaws comply with the Director Qualifications and Conflict of Interest Director Qualifications and approve a Board action, then the failure of any Director to comply with all Director qualifications and Conflict of Interest Director Qualifications does not affect the Board action.
- (f) **Grandfather Clause.** This amendment to this Section 4 of this bylaw approved at the annual meeting held on the 13<sup>th</sup> day of April, 2013, shall not apply to any sitting director or any director elected immediately prior to said annual meeting. The qualifications set forth in this bylaw **shall** apply to all director candidates or those elected, re-elected or appointed to serve at any point in time following said annual meeting of April 13, 2013.

**Section 5. Nomination and Election of Directors.** The Cooperative wishes to encourage members to actively participate in the election of Directors. When the term of a director will expire at the next annual meeting, the following procedure will apply to the election of a director for the next term:

- (a) The Secretary shall publish once per week for two (2) consecutive weeks, the last publication of which shall be no less than one hundred sixty (160) days before the next annual meeting of the Cooperative, in a newspaper of general circulation in the District for which a sitting Director's term shall expire, a Notice stating that said Director's term is expiring and providing the information set forth below to assist and encourage members in petitioning for nomination for election as Director of said District. Said Notice shall also be published on the Cooperative's website during said two (2) week period.
- (b) Any member residing in the District of the Director whose term is expiring, including the incumbent Director, may petition for nomination as Director.
- (c) At least twenty-five (25) or more members residing in the District for which a Director is to be elected must sign a Petition for Nomination for such member in order for said member's name to be placed on the ballot. The form for said Petition for Nomination



shall be provided by the Secretary at the principal office of the Cooperative in Elizabeth, IL.

- (d) Such Petition for Nomination shall be delivered to the Secretary not less than sixty (60) days nor more than one hundred fifty (150) days before the date of the annual meeting of the members at which said directors' term shall expire.
- (e) All members so nominated must, in order to qualify to have their names placed on the ballot, participate in an orientation process provided by the attorney for the Cooperative assuring that all nominees fully understand the expectations and responsibilities of Directors, including, but not limited to, time demands, educational expectations, and fiduciary responsibilities.
- (f) The Secretary shall prepare and post at the principal office of the Cooperative and on the Cooperative website, at least forty (40) days before said annual meeting of the members, a list of such qualified nominations for Directors of Districts up for election at the next annual meeting.
- (g) The Secretary shall mail with the notice of the annual meeting a statement of the number of directors to be elected and the names of the persons nominated for such an office.
- (h) In those districts where more than one candidate has been nominated, a ballot shall be mailed to each member residing in that district from which a Director is to be elected, containing the names of the persons nominated for Director in that District.
- (i) Ballots shall be mailed to members residing outside the district, if such member is entitled to vote as provide by Article III, Section 6, of these Bylaws.
- (j) Each member may vote for one (1) Director for the District in which the member resides, or in which the member is entitled to vote only when the director for that district is up for election.
- (k) If a member prefers, instead of using the mail ballot, he or she may cast his or her vote by ballot in person at the Cooperative office, by electronic ballot as facilitated by the Cooperative or by such other method as the Board of Directors may determine from time to time.
- (l) All ballots must be received on or before four o'clock (4:00) p.m. two days prior to the annual meeting.
- (m) The ballots shall be counted either by the Credentials and Election Committee, if constituted by the Board of Directors in its sole discretion, or a 3<sup>rd</sup> party vendor with experience handling Cooperative or like-organization elections as the Board of Directors may cause to be retained for balloting in director elections. Should the Board of Directors determine to constitute the Credentials and Election Committee, said Committee shall be appointed by the Board of Directors not less than sixty (60) days prior to the date the annual meeting shall be held.
- (n) In the event that a 3<sup>rd</sup> party vendor is utilized by the Cooperative in balloting for director elections, the vendor shall provide the attorney for the Cooperative with a summary of the election results that the vendor has verified for accuracy, after balloting has concluded and the Cooperative's attorney shall report said election results at the annual meeting of the members. Should the Board of Directors determine to appoint a Credentials and Election Committee for a Director election, said 3<sup>rd</sup> party vendor shall also provide said summary to the Committee and the Chair of said Committee shall report the results at the annual meeting of the Members.
- (o) The Credentials and Election Committee shall be composed of a minimum of three (3) members of the Cooperative in good standing, with at least one (1) member of the

Cooperative in good standing from each District from which a Director is to be elected where more than one candidate has been nominated.

- (p) In the event of a tie between persons receiving the highest number of votes in a District, the winner shall be determined by lot immediately prior to the opening of the annual meeting.
- (q) Either the Chairman of the Credentials and Election Committee if a Credentials and Election Committee is constituted by the Board of Directors for a director election, or the attorney for the Cooperative, shall declare the nominees receiving the highest number of votes in each district, or the winner by lot, if that be the case, elected as Directors, and said action shall be deemed election by the members at the annual meeting.
- (r) In those districts where only one candidate has been nominated, no ballot shall be mailed to members of that district, no members of the Credentials and Election Committee shall be appointed and the nominated candidate shall be elected by a properly made and voted motion to elect the candidate by acclamation at the annual meeting.
- (s) Nominations of an individual to run for the election to a Director position scheduled for election at any Annual, Regular, or Special Meeting of the Members will not be accepted from the floor at such meeting, nor will write-in votes naming persons not properly nominated in accordance with the foregoing Section 5 be counted.
- (t) Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

**Section 6. Vacancies.** Subject to the provisions of these bylaws with respect to the removal of directors, a vacancy in the office of director shall be filled by a majority vote of remaining directors and a director thus elected shall serve until the next annual meeting of the members or until a successor shall have been elected and shall have qualified.

All appointments made by the Board shall be from the respective districts in which said vacancies occur. Consistent with these ByLaws, the Board of Directors shall determine the existence of a vacancy.

**Section 7. Removal of Director by District Members.** Any district member may bring charges against a director of the Member's district by filing with the Secretary such charges in writing together with a petition signed by at least thirty percent (30%) of the members or 300, whichever is the lesser, requesting the removal of such director. Upon receipt of such petition it shall be the duty of the Secretary or the Board of Directors to call a special meeting of the members of such director's district to hear the same. Such director shall be informed in writing of the charges at least ten days prior to the meeting of the members 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 present evidence in respect of the charges; and the person or persons bringing the charges against the director shall have the same opportunity. The question of the removal of such director shall be considered and voted upon by members of the director's district. The director may be removed by the vote of two-thirds (2/3) of the members voting from director's district. Any vacancy created by such removal may be filled by vote of the members of the district at such meeting without compliance with the foregoing provisions with respect to nominations. The notice given to members of this meeting shall state that the

purpose of the meeting is to vote upon the removal of one director named in the notice. Only the named director may be removed at such meeting.

**Section 8. Compensation.** Directors shall not receive any salary for their services as such, but by resolution of the Board a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs, or performance of committee assignments or other services when authorized by the Board, along with reasonable expenses actually and necessarily incurred, may be allowed. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of the director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members, or the service by the director or close relative shall be certified by the Board of Directors as an emergency measure.

As used in these ByLaws, the term “close relative” means an individual who:

- (a) Is, either by blood, law, or marriage, including, half, step, foster and adoptive relations, a spouse, child, grandchild, parent, grandparent, or sibling; or
- (b) Principally resides in the same residence.

### **Section 9. Committees.**

- (a) The Board of Directors may appoint one or more committees and appoint directors or such other persons as the Board designates to serve on the committee or committees. Each committee shall have two or more directors, and in any event a majority of its membership shall be directors. All committee members shall serve at the pleasure of the Board. A committee shall have such power and authority as given by the Board, subject to the restrictions and limitations of law.
- (b) The Board of Directors may create, or appoint persons to, an advisory body or other such body which may or may not have directors as members, which body may not act on behalf of the Cooperative or bind it to any action but may make recommendations to the Board of Directors or officers.

## **ARTICLE V MEETINGS OF DIRECTORS**

**Section 1. Regular Meetings.** A regular meeting of the Board of Directors may be held without notice other than this bylaw, immediately after, and at the same place as the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place, as the Board of Directors may determine.

**Section 2. Special Meetings.** Special meetings of the Board of Directors may be called by the Chairman of the Board or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place for the holding of any special meeting of the Board of Directors called by them.

**Section 3. Notice.** Notice of the time, place, and purpose of any special meeting of the Board of Directors shall be given at least five (5) calendar days previous thereto, by written notice, electronic delivery, or delivered personally or mailed, to each director and General Manager/President/Chief Executive Officer, at the last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed with postage thereon pre-paid. If sent electronically, such notice shall be deemed to be given and

delivered, upon being sent. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting except in case a director shall attend a meeting for the express-purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

**Section 4. Quorum.** A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the directors are present at said meeting a majority of the directors present may adjourn the meeting from time to time without further notice.

**Section 5. Manner of Acting.** Except as authorized in Section 6, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Directors.

**Section 6. Informal Action By Directors.**

- (a) Any action required to be taken at a meeting of the Board of Directors, or any action which may be taken at a meeting of the Board of Directors or a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors and all of any nondirector committee members entitled to vote with respect to the subject matter thereof, or by all the members of such committee, as the case may be.
- (b) The consent shall be evidenced by one or more written approvals, each of which sets forth the action taken and bears the signature of one or more directors or committee members. All the approvals evidencing the consent shall be delivered to the Secretary to be filed in the corporate records. The action taken shall be effective when all the directors or the committee members, as the case may be, have approved the consent unless the consent specifies a different effective date.
- (c) Any such consent signed by all the directors or all the committee members, as the case may be, shall have the same effect as a unanimous vote and may be stated as such in any document filed with the Secretary of State under this Act.

**Section 7. Robert's Rules of Order.** All meetings of the Board of Directors shall be governed by Robert's Rules of Order, as amended.

**Section 8. Director Participation in Board Meetings by Telephone.** Members of the Board of Directors may participate in and act at any regular or special Board meeting through the use of a conference telephone or other communications equipment. No board member may miss more than three (3) board meetings in any consecutive twelve (12) month period.

## **ARTICLE VI OFFICERS**

**Section 1. Number.** The officers of the Cooperative shall consist of a Chairman of the Board, Vice Chairman of the Board, President, Secretary, Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The office of Secretary and Treasurer may be held by the same person.

**Section 2. Election and Term of Office.** Officers, except President, shall be elected, by ballot annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members. If the election of officers shall not be held at

such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

**Section 3. Removal.** Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby.

**Section 4. Vacancies.** Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

**Section 5. Chairman of the Board.** The Chairman of the Board shall:

- (a) Be the chief elected officer of the Cooperative and shall preside at all meetings of the members and of the Board of Directors unless otherwise determined by the Board.
- (b) Sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, 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 Chairman of the Board and such other duties as may be prescribed by the Board of Directors from time to time.

**Section 6. Vice Chairman.** In the absence of the Chairman, or in the event of inability or refusal to act, the Vice Chairman or other qualified person designated by the Board of Directors shall perform the duties of the Chairman, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman and shall perform such other duties as from time to time may be assigned to the Vice Chairman by the Board of Directors.

**Section 7. Secretary.** The Secretary shall be responsible for the following, but the actual execution of the duties and functions may be delegated to employees of the Cooperative under the direction of the General Manager:

- (a) Keeping the minutes of meetings of the members and the Board of Directors in one or more books provided for that purpose;
- (b) Seeing that all notices are duly given in accordance with these bylaws or as required by law;
- (c) The safekeeping of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) Keeping a register of the post office address of each member which shall be furnished to the Secretary by such member;
- (e) Having general charge of the books of the Cooperative in which a record of the members is kept;
- (f) Keeping on file at all times a complete copy of these bylaws of the Cooperative containing all amendments thereto, (which copy shall always be open to the inspection

of any member) and at the expense of the Cooperative, furnishing a copy of the bylaws and of all amendments thereto to any member upon request;

- (g) In general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Board of Directors.

**Section 8. Treasurer.** The Treasurer shall be responsible for the following, but the actual execution of the duties and functions may be delegated to employees of the Cooperative under the direction of the General Manager.

- (a) Having charge and custody of all funds and securities of the Cooperative;
- (b) Receiving and giving receipts for moneys due and payable to the Cooperative from any source whatsoever, and deposit all such moneys in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws;
- (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 the Treasurer by the Board of Directors.

**Section 9. General Manager/President/Chief Executive Officer.** The Board of Directors may appoint a General Manager, who may be, but who shall not be required to be, a member of the Cooperative, and who also may be, designated President and Chief Executive Officer of the Cooperative. The General Manager/President/Chief Executive Officer shall be an ex-officio, nonvoting member of the Board of Directors and shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to time vest in the General Manager.

**Section 10. Bond of Officers.** The Board of Directors shall require the Treasurer or any other officer of the Cooperative charged with responsibility for the custody of any of its funds or property, to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent, or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The cost of such bonds shall be borne by the Cooperative.

**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 and showing the condition of the Cooperative at the close of such fiscal year.

## **ARTICLE VII FINANCIAL TRANSACTIONS**

**Section 1. Contracts.** Except as otherwise provided in these bylaws the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instruments in the name and on behalf of the Cooperative and such authority may be general or confined to specific instances.

**Section 2. Checks, Drafts, Etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed and/or countersigned by such officer or officers, agent or agents, employee, or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

**Section 3. Deposits.** The Board of Directors may from time to time select such bank or banks in which funds of the Cooperative are to be deposited. Other funds of the Cooperative

may be invested in any manner not contrary to the provisions of the Laws of the State of Illinois and not contrary to the articles of incorporation.

**Section 4. Fiscal Year.** The fiscal year of the Cooperative shall begin on the first (1st) day of January of each year and shall end on the thirty-first (31st) day of December of the same year.

**Section 5. Accounting Systems and Reports.** The Board of Directors shall cause to be established and maintained a complete accounting system, which among other things, subject to applicable laws and rules and regulations of any regulatory body with jurisdiction over the matter. The Board of Directors shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A summary of such audit shall be submitted to the members at the next succeeding annual meeting.

## **ARTICLE VIII COOPERATIVE OPERATION**

**Section 1. Nonprofit and Cooperative Operation.** The Cooperative:

- (a) shall operate on a nonprofit and cooperative basis for the mutual benefit of all Members; and
- (b) may not pay interest or dividends on capital furnished by Patrons.

**Section 2. Allocating Capital Credits.** The Cooperative shall allocate Capital Credits as provided in this Bylaw.

- (a) **Patron.** The term “Patron” means, during a fiscal year:
  - (1) a Member; and
  - (2) any other Person using a Cooperative Service to whom the Cooperative is obligated to allocate Capital Credits, which obligation existed before the Cooperative received payment for the Cooperative Service.
- (b) **Allocating Earnings.** For each Cooperative Service provided during a fiscal year, the Cooperative shall equitably allocate to each Patron, in proportion to the quantity or value of the Cooperative Service used by the Patron during the fiscal year, the Cooperative’s operating earnings from providing the Cooperative Service during the fiscal year. Operating earnings mean the amount by which the Cooperative’s operating revenues from providing a Cooperative Service exceed the Cooperative’s operating expenses of providing the Cooperative Service, all as determined under federal cooperative tax law.

For each fiscal year, the Cooperative may, as determined by the Board of Directors, use, retain, or equitably allocate the Cooperative’s non-operating earnings. Non-operating earnings mean the amount by which the Cooperative’s non-operating revenues during the fiscal year exceed the Cooperative’s non-operating expenses during the fiscal year, less any amount needed to offset an operating loss.

- (c) **Allocating Losses.** For each Cooperative Service provided during a fiscal year, the Cooperative shall:
  - (1) equitably allocate to each Patron, in proportion to the quantity or value of the Cooperative Service used by the Patron during the fiscal year, the Cooperative’s operating loss from providing the Cooperative Service during the fiscal year, or
  - (2) offset the Cooperative’s operating loss from providing the Cooperative Service during the fiscal year:

- (A) against the Cooperative's operating earnings from providing the Cooperative Service during the next succeeding future fiscal year(s), or
- (B) first against the Cooperative's non-operating earnings during the current fiscal year, second against the Cooperative's unallocated non-operating earnings during the past fiscal year(s), and third against the Cooperative's non-operating earnings during any future fiscal year(s). Operating loss means the amount by which the Cooperative's operating expenses of providing a Cooperative Service during a fiscal year exceed the Cooperative's operating revenues from providing the Cooperative Service during the fiscal year, all as determined under federal cooperative tax law.

For each fiscal year, the Cooperative shall:

- (1) allocate to each Patron, in proportion to the quantity or value of Cooperative Services used by the Patron during the fiscal year, the Cooperative's non-operating loss; or
  - (2) offset the Cooperative's non-operating loss against the Cooperative's non-operating earnings during any fiscal year(s). Non-operating loss means the amount by which the Cooperative's non-operating expenses during a fiscal year exceed the Cooperative's non-operating revenues during a fiscal year.
- (d) **Capital Credits.** For each amount allocated to a Patron, the Patron shall contribute a corresponding amount to the Cooperative as capital. The Cooperative must credit all capital contributions from a Patron to the capital account for the Patron. The Cooperative shall maintain books and records reflecting the capital contributed by each Patron. At the time of receipt by the Cooperative, each capital contribution is treated as though the Cooperative paid the amount allocated to the Patron in cash pursuant to a pre-existing legal obligation and the Patron contribute the corresponding amount to the Cooperative as capital. The term "Capital Credits" means the amounts allocated to a patron and contributed by the Patron to the Cooperative as capital.

Consistent with this Bylaw, the allocation of Capital Credits is in the discretion of the Board of Directors and the Board of Directors must determine the manner, method and timing of allocation of Capital Credits. The Cooperative may use or invest unretired Capital Credits as determined by the Board of Directors. To secure a Patron's obligations to pay amounts owed to the Cooperative, including any compounded interest and late payment fee, and in return for the Cooperative providing a Cooperative Service to the Patron, the Cooperative has a security interest in Capital Credits allocated to the Patron. The Patron authorizes the Cooperative to perfect this security interest by filing a financing statement.

- (e) **Different and Separate Allocations.** As reasonable and fair, the Cooperative may allocate Capital Credits to classes of similarly situated Patrons under different manners, methods and timing, provided the Cooperative allocates Capital Credits to similarly situated Patrons under the same manner, method, and timing. If the Cooperative is a member, patron, or owner of an Entity from which the Cooperative uses a good or service in providing a Cooperative Service and from which the Cooperative is allocated a capital credit or similar amount, then, as determined by the Board of Directors and consistent with this Bylaw, the Cooperative may separately identify and allocate the Cooperative's patrons this capital credit or similar amount allocated by the Entity.
- (f) **Joint Memberships.** Upon receiving a written notice and sufficient proof of the termination, conversion, or alteration of a Joint Membership:
  - (1) through the death of a Joint Member, the Cooperative shall assign and transfer to



- each surviving Joint Member an equal portion of Capital Credits allocated or to be allocated, to the Joint Membership; or
- (2) other than through the death of a Joint Member, and except as otherwise provided by a court or administrative body of competent jurisdiction, and except as otherwise provided by the Joint Members, the Cooperative shall assign and transfer to each Joint Member an equal portion of Capital Credits allocated, or to be allocated, to the Joint Membership.

**Section 3. Notification and Assignment of Capital Credits.** Within a reasonable time after the end of the fiscal year, the Cooperative shall notify each Patron in writing or electronically of the stated dollar amount of Capital Credits allocated to the Patron for the preceding fiscal year.

**Section 4. Retiring Capital Credits.** The Cooperative may retire and pay Capital Credits allocated to Patrons and former Patrons as provided in this Bylaw. If the Cooperative retires and pays Capital Credits, then the Cooperative must retire and pay Capital Credits in a Patron's name as shown in the Cooperative's records, regardless of the Patron's marital status. If the Cooperative mails a retired Capital Credit payment, then the Cooperative shall mail the payment to the Patron or former Patron's address as shown in the Cooperative's records.

- (a) **General Capital Credit Retirements.** At any time before the Cooperative's dissolution, liquidation or other cessation of existence, the Cooperative may generally retire and pay some or all Capital Credits allocated to Patrons and former Patrons.
- (b) **Special Capital Credit Retirements.** The Cooperative may specially retire and pay some or all Capital Credits allocated to an individual Patron or former Patron:
- (1) after the death of the individual;
  - (2) after receiving a written or electronic request from the deceased individual's legal representative; and
  - (3) according to the terms and conditions agreed upon by the Cooperative and the deceased individual's legal representative.

The Cooperative may specially retire and pay some or all Capital Credits allocated to an Entity Patron or former Entity Patron:

- (A) during or after the entity's dissolution, liquidation or other cessation of existence;
  - (B) after receiving a written or electronic request from the entity or the entity's legal representative; and
  - (C) according to the terms and conditions agreed upon by the Cooperative and the entity or the entity's legal representative.
- (c) **Capital Credit Recoupment and Offset.** Regardless of a statute of limitations or other time limitation, after retiring Capital Credits allocated to a Patron or former Patron, the Cooperative may recoup, offset, or setoff an amount owed to the Cooperative by the Patron or former Patron including any compounded interest and late payment fee, by reducing the allocated or net present value amount of retired Capital Credits paid to the Patron or former Patron by the amount owed to the Cooperative.
- (d) **Capital Credit Retirement Discretion.** The Cooperative may retire and pay Capital Credits only if the Board of Directors determines that the retirement and payment will not adversely impact the Cooperative's financial condition. Consistent with this Bylaw, the retirement and payment of Capital Credits are in the sole discretion of the Board of Directors and are not affected by previous retirements and payments. The manner, method, and timing of retiring and paying Capital Credits may be determined only by the Board of Directors.

- (e) **Different and Separate Capital Credit Retirements.** As reasonable and fair, the Cooperative may retire and pay Capital Credits to classes of similarly situated Patrons and former Patrons under different manners, methods, and timing, provided the Cooperative retires and pays Capital Credits to similarly situated Patrons and former Patrons under the same manner, method, and timing. If the Cooperative separately identified and allocated Capital Credits representing capital credits or similar amounts allocated to the Cooperative by an entity in which the Cooperative is or was a member, patron, or owner, then the Cooperative may retire and pay these Capital Credits before or after the entity retires and pays the capital credits or similar amounts to the Cooperative.
- (f) **Discounted Capital Credit Payments.** As determined by the Board of Directors, before the time the Cooperative anticipates normally retiring and paying Capital Credits, the Cooperative may retire some or all Capital Credits and pay the net present value of the retired Capital Credits. If the Cooperative retires and pays the net present value of Capital Credits to a Patron or former Patron before the Cooperative anticipates normally retiring and paying the Capital Credits, then the amount of Capital Credits not paid may be used or retained as permanent, unallocated equity,
- (g) **Unclaimed Capital Credits.** The Cooperative may regularly impose a reasonable dormancy or service charge for each year a Patron or former Patron fails to claim Capital Credits retired and paid to the Patron or former Patron. As allowed by Law, the Cooperative may retain Capital Credits retired and paid to a Patron or former Patron, but not claimed by the Patron or former Patron within five (5) years of retirement and payment.

**Section 5. Patron Agreement.** Each Patron and former Patron agrees that:

- (a) Capital Credits are not securities under State or Federal law;
- (b) the Patron's right to Capital Credits vests, accrues, becomes redeemable, and becomes payable only upon the Cooperative retiring the Capital Credits as provided in these Bylaws, and not upon the Cooperative allocating the Capital Credits.

**Section 6. Reasonable Reserves.** Regardless of a contrary Bylaw, and to meet the Cooperative's reasonable needs, the Cooperative may accumulate and retain amounts exceeding those needed to meet current losses and expenses ("Reasonable Reserves"). The Cooperative must keep records necessary to determine, at any time, each Member's rights and interest in Reasonable Reserves.

## **ARTICLE IX DISPOSITION AND MORTGAGING OF PROPERTY, MERGER AND OFFER TO SELL**

**Section 1. Disposition and Mortgaging of Property in General.** 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 (2/3) of all of the members of the Cooperative and unless the notice of such proposed sale, mortgage, lease, or other disposition or encumbrances shall have been contained in the notice of the meeting; provided however that, notwithstanding anything herein contained, the following shall apply:

1. the Board of Directors of the Cooperative, without authorization by the members thereof, shall have full power and authority to borrow money from the United States of America or any agency or instrumentality thereof, or from the Rural Utilities Cooperative Finance Corporation or other financing institution or bank, as the Board of Directors shall

select, and in connection with such borrowing to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative; and

2. if the entity to which this Cooperative proposes to sell, lease or otherwise dispose of all or a substantial portion of its property is or are electric cooperative(s) organized and existing under Illinois, Wisconsin or Iowa Statutes, and has/have been engaged in producing or furnishing electric power and/or natural gas to its or their members at cost and without profit for at least two years prior to such sale, lease or other disposition, an affirmative vote of a majority of the members of the Board of Directors voting thereon at a Regular or Special Meeting of the Board of Directors called for that purpose shall constitute approval of such sale, lease or other disposition of such property.

**Section 2. Merger.** This Cooperative may merge or consolidate with one or more other electric cooperatives upon compliance with the provisions of law relating thereto. If the other cooperative or cooperatives with which this Cooperative proposes to merge or consolidate is or are electric cooperative(s) organized and existing under Illinois, Wisconsin or Iowa Statutes, and have been engaged in producing or furnishing electric power and/or natural gas to its or their members at cost and without profit for at least two years prior to such merger or consolidation, an affirmative vote of a majority of members of the Board of Directors voting thereon at a Regular or Special Meeting of the Board of Directors called for that purpose shall constitute approval of the plan of merger or consolidation. Likewise, if this Cooperative proposes to merge or consolidate with an electric cooperative which is an entity resulting from merger or consolidation of other electric cooperatives meeting the qualifications set forth above, an affirmative vote of a majority of members of the Board of Directors voting thereon at a Regular or Special Meeting of the Board of Directors called for that purpose shall constitute approval of the plan of merger or consolidation. If the proposed merger or consolidation is with one or more organizations not meeting the foregoing qualifications, approval of the plan of merger or consolidation shall require the affirmative vote of a majority of the members of the Cooperative in attendance at an Annual, Regular or Special Meeting of the members called, at least in part, for that purpose.

**Section 3. Procedure for the Sale of all or Substantially all of the Cooperative Property.** If at any time the Cooperative shall receive an offer to buy all or substantially all of its assets from a person or organization which is other than an electric cooperative organized under the Not-For-Profit Corporation Act of Illinois, or Chapter 185 of the Wisconsin or Iowa Statutes, which has been engaged in producing or furnishing electric power, natural gas and/or telecommunications/broadband services to its members at cost and without profit for at least two years thereto, or other than an entity resulting from the merger or consolidation of electric cooperatives meeting the foregoing qualifications, the Board of Directors is authorized, in its sole discretion, to determine whether or not such offer shall be submitted to the Cooperative membership for vote.

The Board of Directors shall base its decision on what it considers to be in the best interest of the Cooperative and its members. Among other factors, it shall consider what it believes would be the impact of a sale on the dependability and adequacy of service necessary to meet the present and future needs of its members, and the rates to be charged therefore. If the Board approves such proposal, it shall adopt a resolution recommending such sale, lease, ex-change,

or other disposition and directing the submission thereof to a vote at a meeting of members entitled to vote which may be either an annual or a special meeting.

## **ARTICLE X VOLUNTARY DISSOLUTION**

**Section 1. Voluntary Dissolution.** The Cooperative may be dissolved by a vote of members entitled to vote in the following manner:

- (a) The Board of Directors shall adopt a resolution, which may be with or without their recommendation, proposing that the corporation be dissolved voluntarily, and directing that the question of such dissolution be submitted to a vote at a meeting of members to vote on dissolution, if any, which may be either an annual or special meeting.
- (b) Written notice stating that the purpose, or one of the purposes, of the meeting is to consider the voluntary dissolution of the Cooperative, shall be given to each member entitled to vote on dissolution within the time and in the manner provided in these bylaws for the giving of notice of meetings of members. If such meeting be an annual meeting, such purpose may be included in the notice of such annual meeting.
- (c) At such meeting a vote of the members entitled to vote on dissolution shall be taken on the resolution to dissolve voluntarily the Cooperative. The resolution shall be adopted by receiving the affirmative vote of at least two-thirds (2/3) the total number of members.

## **ARTICLE XI MISCELLANEOUS**

**Section 1. Membership in Other Organizations.** The Cooperative may, upon authorization of the Board, become a member of, or purchase stock in, any other organization when, in the judgment of the Board, such membership or purchase will foster and further the aims and objectives of the Cooperative in furnishing low cost electric energy to its members.

**Section 2. Waiver of Notice.** Any member or board member may waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or board member at any meeting shall constitute a Waiver of notice of such meeting by such member or board member, except in case a member or board member shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

**Section 3. Rules of Order.** Except as otherwise provided by the Board at any time and except as otherwise provided in the Governing Documents, the latest edition of Robert's Rules of Order newly revised governs all Member, Board, Member Committee, and Board Committee meetings, documents, communications, and actions.

**Section 4. Fiscal Year.** The Board may determine and modify the Cooperative's fiscal year. Except as otherwise provided by the Board, the Cooperative's fiscal year is the calendar year.

**Section 5. Governing Law.** These Bylaws must be governed by, and interpreted under, the laws of the State of Illinois.

**Section 6. Titles and Headings.** Titles and headings of Bylaw articles, sections, and subsections are for convenience and reference, and do not affect the interpretation, construction, or application of a Bylaw article, section or subsection.

**Section 7. 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 a Bylaw

Provision by an entity possessing proper jurisdiction and authority, which invalidation does not alter the fundamental rights, duties, and relationship between the Cooperative and Members, does not invalidate the remaining Bylaw Provisions.

**Section 8. Cumulative Remedies.** The rights and remedies provided in these Bylaws are cumulative. The Cooperative or a Member asserting a 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 9. Entire Agreement.** Between the Cooperative and a Member, the Governing Documents:

- (a) constitute the entire agreement; and
- (b) supersede and replace a prior or contemporaneous oral, written, or electronic communication or representation.

**Section 10. Successors and Assigns.** Except as otherwise provided in these Bylaws:

- (a) the duties, obligations, and liabilities imposed upon, and the rights granted to, the Cooperative by these Bylaws are binding upon, and inure to the benefit of, the Cooperative's successors and assigns; and
- (b) the duties, obligations and liabilities imposed upon a Member by these Bylaws are binding upon the Member'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 or a Member does not relieve the Cooperative or Member of the duties, obligations, and liabilities imposed by these Bylaws.

**Section 11. Waiver.** The failure of the Cooperative to assert a right or remedy provided in these Bylaws does not waive the right or remedy provided in these Bylaws.

**Section 12. Lack of Notice.** The failure of a Member or Director to receive notice of a Meeting, action, or vote does not affect, or invalidate, an action or vote taken by the Members or Board.

## **ARTICLE XII BUSINESS OFFICE**

**Section 1. Business Office.** The principal business office of the Cooperative shall be located in Elizabeth, Illinois, and shall not be moved unless the consent of the Cooperative has been first obtained by a vote of a majority of those members present in person at any regular or special meeting called for that purpose and provided further that a quorum be present.

## **ARTICLE XIII INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS**

**Section 1. Indemnification.** The Cooperative shall indemnify a director, officer or, manager against expenses, including attorney's fees, judgements, fines and amount paid in settlement actually and reasonably incurred by such person in connection with an action, suit or proceeding, or a threatened action, suit or proceeding where such person is party or is threatened to be made a party by reason of the fact that he or she was a director, officer, or manager of the Cooperative or at the request of this Cooperative, a director or officer of an affiliated organization, when required by law, and upon a determination that indemnification of the officer, director, or manager is proper in the circumstances because he or she had met the applicable standard of conduct as provided by the Illinois General Not For Profit Act of 1986 and subsequent law. The Cooperative shall indemnify other employees and agents as required

by law, and may indemnify such person upon a determination that indemnification of the employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct as provided by the Illinois General Not For Profit Act of 1986 and subsequent law.

#### **ARTICLE XIV AMENDMENTS**

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

- (a) The Board of Directors shall adopt a resolution setting forth the pro-proposed amendment and directing that it be submitted to a vote at a meeting of the members, which may either be a regular annual meeting or a special meeting.
- (b) Written or printed notice setting forth the proposed amendment or a summary of the changes to be effected thereby shall be given to each member within the time and in the manner provided in these bylaws for the giving of notice of meetings of members. If such a meeting be a regular meeting, the proposed amendment or summary thereof may be included in the notice of such regular annual meeting.
- (c) At such meeting a vote of the active members shall be taken on the proposed amendment and the proposed amendment shall be adopted upon receiving the affirmative vote of at least two-thirds (2/3) of the votes entitled to be cast by members present at such meeting.

Any number of amendments may be submitted to the members, and voted upon by them, at one meeting.

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

**Section 2. Amendments to Bylaws.** These bylaws may be altered, amended, or repealed by receiving a majority of the votes cast by the members present in person at any regular or special meeting of the members providing that the notice of such meeting shall have contained a copy or summary of the proposed amendment, alteration or repeal to be considered at the meeting.

#### **ARTICLE XV ARBITRATION**

**Section 1. Arbitration.** Any claim or controversy between Jo-Carroll Energy, Inc. (NFP) and any Member which arises out of or relates to the provision by Jo-Carroll Energy, Inc. (NFP) to the Member of electric power or other related services shall, at the request of any such party, be submitted to arbitration according to regulations prescribed by the Board of Directors. Jo-Carroll Energy, Inc. (NFP) and every Member thereof, by becoming such, agrees to arbitrate all such disputes according to this Bylaw and the regulations prescribed by the Board of Directors pursuant to this Bylaw, and further agrees to abide by and perform any awards made thereunder.

Jo-Carroll Energy, Inc.  
P.O. Box 390, Elizabeth, IL 61028  
815-858-2207