

January 12, 2023 Amended and Restated

**BYLAWS**

**OF**

***NATIONAL INFORMATION SOLUTIONS COOPERATIVE, INC.***

**CORPORATE BYLAWS  
OF  
NATIONAL INFORMATION SOLUTIONS COOPERATIVE, INC.**

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**CORPORATE BYLAWS  
OF  
NATIONAL INFORMATION SOLUTIONS COOPERATIVE, INC.**

**PREAMBLE**

This Cooperative shall operate on a cooperative basis for the mutual benefit of the Cooperative's Members, under general cooperative principles and in accordance with the provisions of Subchapter T of the Internal Revenue Code.

The purpose of the Cooperative is to provide its Members with efficient, reliable, and economical services on a cooperative basis to promote and increase the efficiency and economy of the operation of its Members' businesses.

**ARTICLE I  
Non-Voting Stock**

Section 1.1. Authorization. The Cooperative shall have authority to issue such number of Class N non-voting common stock and Class P non-voting preferred stock as set forth in the Articles, each share having a \$1.00 par value. Holders of non-voting Class N stock shall receive dividends, if any, as may be declared from time to time by the Board of Directors (hereinafter "the Board") and in compliance with Subchapter T. The Board may provide for issuance of preferred stock, in which case the Board shall determine in each instance the amount of dividends payable thereon, whether such dividends are cumulative or non-cumulative, and the preferences such stock may evidence, all within the limits prescribed in Subchapter T.

**ARTICLE II  
Membership**

Section 2.1. Qualifications and Application.

(a) No entity may hold more than one membership in the Cooperative. For purposes of this Section 2.1(a), "entity" means, collectively: (i) the entity that is the Member and all of its subsidiaries in which the Member holds a greater than 50% interest (whether calculated by financial interest or voting or governance power); and (ii) any parent of the Member that holds a greater than 50% interest in the Member and any affiliate of the Member (meaning any subsidiary of the Member's parent in which the parent holds a greater than 50% interest, whether calculated by financial interest or voting or governance power).

(b) Except for the Initial Members and Members admitted upon merger with the initial members, no entity shall become a Member unless that entity meets the following qualifications and conditions:

(i) Submits a written application to the Cooperative for membership and agrees in writing to be bound by the Cooperative's Articles, Bylaws and policies;

(ii) Submits any required membership fee set by the Board (to be refunded if the application is not approved);

(iii) Agrees to take the Cooperative's accounting, billing or an engineering and operation solution and fits any of the following criteria;

A. In the case of an entity seeking membership as an Energy Member, is a cooperative, public power district, public utility district or electrical district or any other entity (or any LLC, corporation or other entity wholly owned by any of the foregoing entities), other than an investor-owned utility, publicly traded utility or municipally owned utility (all of which are ineligible to be Energy Members), if the Board determines it is in the best interests of this Cooperative to grant that entity membership; or

B. In the case of an entity seeking membership as a Communications Member, is an entity serving 500,000 or less active unique accounts;

and

(iv) Has been accepted by the Board, in the exercise of its sole discretion, to be an entity whose membership in the Cooperative shall be in the best interest of the Cooperative and its Members.

(c) If an applicant's application for acceptance as a Member is approved by the Board, the applicant shall become a Member upon compliance with all other requirements for membership, if any.

(d) Memberships shall be in book-entry form in records to be maintained by the Secretary, and no certificates or other indices of membership shall be issued except upon determination of the Board.

### Section 2.2. Classifications of Members.

(a) Immediately upon formation, the Cooperative shall consist of CADP and NCDC, the Initial Members. Immediately upon the merger of the Initial Members into the Cooperative, the membership of the Cooperative shall be classified into either Energy Members and Communications Members, as set forth below. In order to maintain democratic control as required by Subchapter T, the Board shall have the right to redraw Districts and to alter the number of Directors from time to time to reflect changes in membership and Member imbalances among Districts.

(b) Subject to Sections 2.2(d) and (e), the Board will classify an entity that provides electricity or other energy products and services or that provides services to

entities whose primary business is energy related as an Energy Member provided the entity meets all of the qualifications for an Energy Member in Section 2.1(b)(iii)(A) and the other general membership requirements set forth in Section 2.1.

(c) Subject to Sections 2.2(d) and (e), the Board will classify an entity that provides telecommunications services or that provides services to entities whose primary business is communications related as a Communications Member provided the entity meets all of the qualifications for a Communications Member in Section 2.1(b)(iii)(B) and the other general membership requirements set forth in Section 2.1.

(d) If an entity provides both energy and telecommunications services and, at the time of membership application, receives more annual revenue from providing energy services than from providing telecommunications services then that entity may only apply as an Energy Member and the Board will classify such entity as an Energy Member provided the entity meets all of the qualifications for an Energy Member in Section 2.1(b)(iii)(A) and the other general membership requirements set forth in Section 2.1. If such entity does not meet such requirements (e.g., it is a municipally owned utility, publicly traded utility or an investor-owned utility) it is not eligible to be an Energy Member or a Communications Member.

(e) If an entity provides both energy and telecommunications services and, at the time of membership application, receives more annual revenue from providing telecommunications services than from providing energy services then that entity may only apply as a Communications Member and the Board will classify such entity as a Communications Member provided the entity meets all of the qualifications for a Communications Member in Section 2.1(b)(iii)(B) and the other general membership requirements set forth in Section 2.1. If such entity does not meet such requirements (e.g., it serves more than 5000,000 access lines) it is not eligible to be a Communications Member or an Energy Member.

(f) If an entity does not provide electricity or other energy products and services or does not provide services to entities whose primary business is energy related and does not provide telecommunications services or does not provide services to entities whose primary business is communications related, then that entity may only apply as an Energy Member and the Board will classify the Member as an Energy Member provided the entity meets all of the qualifications for an Energy Member in Section 2.1(b)(iii)(A) and the other general membership requirements set forth in Section 2.1. If such entity does not meet such requirements (e.g., it is a municipally owned utility, publicly traded utility or an investor-owned utility) it is not eligible to be an Energy Member or a Communications Member.

Section 2.3. Membership Fee. Except as provided in Section 2.10, the membership fee shall be one hundred dollars (\$100.00) for each Member. Such fee may be changed from time to time by the Board and must be paid prior to a Member having any voting rights.

Section 2.4. Non-Liability for Debts of the Cooperative. The property of the Members of the Cooperative shall be exempt from execution for the debts of the Cooperative, and no Member shall be liable or responsible for any debts or liabilities of the Cooperative.

Section 2.5. Withdrawal of Member. Any Member may voluntarily withdraw from membership by written notification to the Secretary, but such Member is obligated to pay in full all debts due from said Member to the Cooperative. Upon withdrawal of a Member, (a) its membership shall be promptly canceled; (b) such Member shall be refunded all membership fees previously paid, net of any amounts owing the Cooperative; and (c) such Member shall retain its allocation of patronage income and the right to receive same if and when declared payable by the Board. Any such payment shall be subject to the security interest and rights of set-off for any amounts owing the Cooperative as set forth in Article 8. The Initial Members shall have no rights to receive patronage income at any time.

Section 2.6. Transfer of Membership. Without the consent of the Board, in its sole discretion, no membership may be transferred directly by a Member, other than as part of the redemption thereof by the Cooperative.

Section 2.7. Member Defaults. The following shall constitute Member defaults:

- (a) Failure to pay when due all monies owed the Cooperative by a Member;
- (b) Failure of a Member to abide by the provisions of the Articles or these Bylaws, or any rules or regulations adopted by the Board;
- (c) Failure of a Member to obtain from the Cooperative at least one of the Cooperative's accounting, billing or engineering and operations solutions, for a continuous period of more than ninety (90) days, unless the Member is prevented from doing so by virtue of Force Majeure, as determined by the Board in its sole discretion; or
- (d) Any other act or omission by a Member deemed by the Board to be materially detrimental to the Cooperative.

Section 2.8. Expulsion of Members. The Board, may, by the affirmative vote of no fewer than two-thirds (2/3) of the entire Board, expel any Member that is found to be in default as provided in Section 2.7, and which does not cure such default within thirty (30) days of written notice of such default. Upon expulsion, a Member shall have the same rights and receive the same payments, if any, as are payable to a withdrawing Member pursuant to Section 2.5 hereof.

Section 2.9. Member Consent to Include Patronage Dividends in Income. Each entity that applies for and is accepted to membership in the Cooperative and each Member of the Cooperative on or after the effective date of these Bylaws that continues as a Member after such date shall, by either such act, be deemed to have consented to the amount of any distribution with respect to such Member's patronage (which is made in any

written notice of allocation (as defined in 26 U.S.C. § 1388) and which is received by such Member from the Cooperative) being taken into account by such Member at the stated dollar amount (in the manner provided in 26 U.S.C. § 1385(a)) and in the taxable year in which any such written notice of allocation is received by such Member.

Section 2.10. Waiver of Application and Fee. Notwithstanding anything to the contrary contained in this Article, the application process and membership fees shall be waived (a) for the Initial Members and (b) for all members or shareholders of any of the Initial Members, in good standing as of the effective date of the Agreement and Plan of Merger merging the Cooperative with CADP and NCDL. The Initial Members shall have been deemed Members upon formation of the Cooperative and the qualified members and shareholders of the Initial Members shall be automatically admitted as members immediately upon the effective date of said merger; provided, however, that any such member or shareholder that takes actions under applicable state laws, articles of incorporation or bylaws that would foreclose such entity from becoming a Member of the merged Cooperative shall be deemed not to become a Member.

Section 2.11. Associate Members. The Board may create a designation known as “Associate Member” for entities that do not qualify, or who elect not, to be a Communications Member or an Energy Member. The Board, in its discretion, may establish the qualifications and rights and responsibilities of Associate Members (e.g., the right to participate in member advisory committees, to attend Member meetings, to attend the Member Information Conference, etc.). Notwithstanding the foregoing, Associate Members are not “Members” under these Bylaws or the Articles and do not have any voting rights or the right to any allocation or distribution of Surplus Funds or any other equity or governance rights in the Cooperative.

Section 2.12. Prospective Application. Article II of these Bylaws was amended on July 17, 2019. The amendments altered the eligibility requirements for membership. The amendments to Article II apply only prospectively to new Members joining the Cooperative after July 17, 2019. The July 17, 2019 amendments to do disqualify from membership any Member that was a Member prior to July 17, 2019.

### **ARTICLE III** **Meetings of Members**

Section 3.1. Place of Meetings. Meetings of the Members shall be held at such place within or without the State of Colorado, as may be designated by the Board, in the case of annual or other regular meetings, or by the person(s) properly calling the meeting, in the case of special meetings, in each instance as stated in the notice of the meeting.

Section 3.2. Annual Meeting. An annual meeting of the Members shall be held each year at such time as may be determined by the Board for the purpose of transacting any and all business of the Cooperative that may properly come before such meeting as provided in Section 3.10.

Section 3.3. Special Meetings. Special meetings of the Members may be called at

any time by the Board or the Chairman. The Chairman or the Secretary shall call a special meeting of the Members within sixty (60) days upon petition by ten percent (10%) of the total number of Members stating the specific business to be brought before the meeting. The Board or the person properly calling the special meeting shall determine the date, time and place of the meeting. All business transacted at special meetings shall be confined to purposes stated in the notice of the special meeting.

Section 3.4. Notice of Meetings. Unless otherwise now or hereafter provided by law, notice of the annual meeting and of each special meeting of Members shall be in writing stating the date, time and place where such meeting is to be held and, in the case of a special meeting, the purpose of the meeting. Such notice shall be delivered no less than ten (10) days and not more than sixty (60) days before the meeting to each Member of record entitled to vote at such meeting by placing the notice in the mail, or by sending such notice by overnight courier service, by facsimile or by e-mail, by or at the direction of the Secretary or the person(s) calling the meeting. Such notice shall be deemed delivered (a) three (3) business days after being deposited in the United States Mail in a sealed envelope addressed to the Member at its last-known address with first-class postage thereon prepaid in sufficient amount; (b) the next business day if sent by overnight courier with next-day delivery; or (c) upon confirmation of transmission if sent by facsimile or by e-mail. 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 such meeting, if reasonable effort has been made to give notice as provided herein.

Section 3.5. Voting Rights. Only Members that are not in default as set forth in Section 2.7 hereof as of ten (10) days prior to any meeting of Members shall be entitled to vote at such meeting, provided that any Member in default has been given written, facsimile, e-mail or similar notice of such default prior to such ten-day period and fails to cure said default prior to commencement of the meeting in question. Each Member so qualified shall be entitled to one 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 present and voting thereon except as otherwise provided by law, the Articles or these Bylaws. Members may vote either in person, or to the extent approved by the Board, by mail, by electronic transmission if a means is provided to verify that a Member so voting has received the exact wording of the matter upon which the vote is to be taken, by telecommunication, by any other means by which all persons in the meeting may communicate with each other during the meeting, or by such other means as may be permitted by the Act or by these Bylaws and consistent with such Act. The terms "present" and "voting" used herein shall include, in addition to actual attendance and participation, respectively, all of the above-listed means of participating and voting as may be authorized by the Board.

Section 3.6. Proxies. No Member may vote by proxy, but if a Member is other than a natural person, such Member may be represented by a member representative as provided in Section 3.7.

Section 3.7. Member Representative. Each Member that is not a natural person is

responsible for selecting that Member's voting representative and an alternate by the appropriate action of the Board of Directors or governing body of such Member. The voting representative and alternate shall continue to serve until they have been replaced by a qualified successor, resigned, become incapacitated or been removed. A Member may change its voting representative and alternate at any time by appropriate action of the Board of Directors or governing body of the Member. No credentials shall be required of any voting representative or alternate attending any NISC Member meeting, voting in person or by mail or other means, unless the credentials of the voting representative or alternate are challenged. A voting representative or alternate may be challenged to demonstrate that they are the duly appointed voting representative or alternate and in such case they shall be recognized as the voting representative or alternate of a Member unless a challenge comes from a manager, employee, or a member of the Board of Directors or governing body of such Member. In that event, proof of a designation in writing from the Member's Board of Directors or governing body may be required by NISC. Absent a written designation from a Member's Board of Directors or governing body, NISC may resolve any challenge in any reasonable manner selected by NISC in its discretion.

Section 3.8. Quorum. A quorum shall be required for conducting business at all meetings of the Members, and shall be the lesser of five percent (5.0%) of the total number of Members or thirty (30) Members. Members present and voting in person or in any manner set forth Section 3.5 above authorized by the Board shall be counted toward the quorum.

Section 3.9. Presiding Officer. At every meeting of Members, the Chairman of the Board shall preside. If the Chairman is absent, is unable, or refuses to act, the Vice Chairman shall act. If both the Chairman and Vice Chairman are absent, or unable or refuse to act, then a chairperson elected by the Members present shall preside.

Section 3.10. Advance Notice of Member Proposals at Annual Meeting. At an annual meeting of the Members, only business properly brought before the meeting will be conducted. To be properly brought before an annual meeting, business must be: (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (b) otherwise brought before the meeting by or at the direction of the Board, or (c) otherwise properly brought before the meeting by a Member who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section. In addition, any proposed business must be a proper matter for Member action. For business to be properly brought before an annual meeting by a Member, the Member intending to propose the business (the "Proposing Member") must have given timely notice thereof pursuant to this Section in writing to the Chief Executive Officer of the Cooperative. To be timely, a Proposing Member's notice must be delivered to or mailed and received at the principal executive offices of the Cooperative not later than the close of business on the 90th day in advance of the annual meeting. For business to be properly brought, a Proposing Member's notice to the Chief Executive Officer of the Cooperative shall set forth as to each matter of business the Proposing Member proposes to bring before the annual meeting a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting.. Notwithstanding anything in these By-laws to the contrary: (i) no business shall be

conducted at any annual meeting except in accordance with the procedures set forth in this Section; and (ii) unless otherwise required by law, if a Proposing Member intending to propose business at an annual meeting does not timely provide the notice and information required under this Section or the Proposing Member does not appear at the meeting to present the proposed business, such business shall not be considered. The requirements of this Section are included to provide the Cooperative notice of a Member's intention to bring business before an annual meeting and shall in no event be construed as imposing upon any Member the requirement to seek approval from the Cooperative as a condition precedent to bringing any such business before an annual meeting. Section 9.3 controls with respect to the consideration of Member initiated proposals to amend the Bylaws.

## **ARTICLE IV** **Board of Directors**

Section 4.1. General Powers and Duties. The Board shall have control and management of the affairs and business of the Cooperative, except as may be restricted by the Articles, these Bylaws, or otherwise reserved to the Members. The Directors shall in all cases act as a Board in the transaction of business, and, except as otherwise provided by law or the Articles, the act of a majority present at a meeting at which a quorum is present shall be the act of the Board. The Board may adopt such rules and regulations for the conduct of its meetings and the management of the Cooperative as the Board may deem proper and not inconsistent with law, the Articles or these Bylaws. The Cooperative shall have such offices in such places as the Board may from time to time designate.

Section 4.2. Districts. To provide for a fair and equitable representation of the electrical and communication members on the Board of Directors, the following geographic districts are established:

### **ENERGY:**

- District 1: North Carolina, Virginia, Maryland, Delaware, Pennsylvania, New Jersey, New York, Connecticut, Vermont, Rhode Island, New Hampshire, Massachusetts, and Maine.
- District 2: South Carolina, Georgia, and Florida.
- District 3: Kentucky, Tennessee, Mississippi, and Alabama.
- District 4: West Virginia, Ohio, Indiana, and Michigan.
- District 5: Illinois, Iowa, and Wisconsin.
- District 6: Minnesota, South Dakota, and North Dakota.
- District 7: Kansas, Nebraska, Colorado, and Wyoming.

District 8: Missouri, Arkansas, Oklahoma, and Louisiana.

District 9: Utah, Nevada, Montana, Idaho, Washington, Oregon, Alaska, Hawaii, and California.

District 10: Texas, New Mexico, and Arizona.

A Member shall fall into the geographic district in which its principal office of the Member is located.

COMMUNICATION:

At large District 11

At large District 12

At large District 13

At large District 14

No more than one Director representing the Communication Membership shall be from a single state.

Section 4.3. Number. The number of persons on the Board of Directors shall be fourteen (14). The number of Directors may be changed from time to time as provided in these Bylaws or by applicable law.

Section 4.4. Representation. Each district shall be represented by one person on the Board of Directors.

Section 4.5. Qualifications. Only a person who has primary responsibility for the management of a Member (e.g., CEO, General Manager, etc.) shall be eligible to be a Director or a nominee for Director.

Section 4.6. Manner of Nomination and Election. The Board shall adopt a procedure for the nomination of candidates to be elected to the Board. The Board's adopted nomination procedures shall be the sole method for nomination of candidates for Director. Nomination shall be made by the Members from the district to be represented by the Director to be elected.

The Board shall adopt a procedure for the election of Directors which procedure may rely on an electronic voting process outside of a meeting of the members. Voting for Directors shall be by District. The Members from the district to be represented by the Director to be elected shall be the only Members that vote for that Director position. In the event that no qualified successor to a Director whose term is expiring is elected, then the Board position shall be filled by selection of the Board pursuant to Section 4.9 of the

Bylaws.

Section 4.7. Mail or Electronic Voting. The Board may establish procedures by which the members' votes for the election of Directors, and other matters to be submitted to the Members, can be cast by mail or by electronic means. At any meeting which voting by mail or electronic means takes place, those voting by mail or electronic means shall be recorded as present for the purpose of determining a quorum.

Section 4.8. Tenure.

(a) Term and Term Limits. The term of a Director begins at the commencement of the first annual Board reorganization meeting held following a Director's election and continues until immediately prior to the commencement of the fourth annual Board reorganization meeting held following a Director's election. Each term is approximately 3 years depending on the specific dates the Board reorganization meetings are held. No individual may serve as a Director for more than 5 consecutive terms. If an individual is elected or appointed to fill the unexpired term of a Director who resigned or was removed, then the remainder of that term will not count as a term for purposes of the term limit set forth in this Section.

(b) Transition Provision. Section 4.8(a) applies immediately to all Directors first elected to the Board in the 2021 Board election or at any subsequent election. Beginning at the January, 2022 Board reorganization meeting, Section 4.8(a) applies to Directors who were elected to an additional term in the 2021 Board election. That additional term shall be the first term of such Director for purposes of the term limit set forth in Section 4.8(a). Section 4.8(a) shall apply to each other Director beginning at the Board reorganization meeting following the next election at which such Director is elected for an additional term. That additional term shall be the first term of such Director for purposes of the term limit set forth in Section 4.8(a).

Section 4.9. Vacancies. Should a Director resign, become incapacitated, or otherwise be unable to serve, the Board shall either (a) call a special election of the Members from the District represented by the former Director, which Members shall elect a qualified person from the District in question to serve for the unexpired term of such Director; (b) appoint a qualified person to serve as a Director from the District represented by the former Director to serve for the unexpired term of such Director; or (c) elect not to exercise options (a) or (b) and the Members from the District represented by the former Director will elect a replacement at the next scheduled regular election.

Section 4.10. Compensation. Directors may receive such compensation for their services as Directors as may be determined from time to time by the Board. The necessary and reasonable expenses of a Director's attendance at meetings of the Board or any Board committee shall be reimbursed to each Director or to the member affiliated with

the Director, in each instance pursuant to written guidelines established by the Board.

Section 4.11. Removal. Any Director may be removed from the Board by a majority of the remainder of the Board if such Director fails to meet the qualifications for Board membership as set forth in the Articles or these Bylaws; or for cause by a majority of the Members voting at a meeting called for that purpose. In the latter case, such a vote shall be scheduled by the Board within sixty (60) days of receipt of a petition signed by at least ten percent (10%) of the Members stating alleged causes or reasons for removal.

Section 4.12. Determination of Fiscal Year. The Board is authorized to fix the fiscal year of the Cooperative and to change same from time to time as it may deem appropriate.

Section 4.13. Validation of Contracts. In the absence of fraud and provided that such relationship is disclosed or is known to the Board prior to the Cooperative's entering into such contract or transaction, no contract or other transaction between the Cooperative and any other cooperative, partnership, association or other entity shall be affected or invalidated by the fact that any Director or officer of the Cooperative (a) is pecuniarily or otherwise interested in, or is a director, member or officer of, such other cooperative, partnership, association or other entity; or (b) is a party to, or pecuniarily or otherwise interested in, such contract or other transaction; or (c) is in any way connected with any person, firm, association or cooperative pecuniarily or otherwise interested therein. Any Director may be counted in determining the existence of a quorum at any meeting of the Board for the purpose of authorizing any such contract or transaction with like force and effect as if said Director were not so interested, or were not a Director, member or officer of such other cooperative, partnership, association or other entity.

Section 4.14. Absences. Any Director who shall be absent from three (3) consecutive meetings of the Board may be immediately disqualified from further service during the remainder of the term to which he was elected, and the remaining members of the Board may fill such vacancy as provided in Section 4.9 above. The other members of the Board of Directors shall, in the exercise of their discretion, determine whether or not the Director who was absent from three (3) consecutive meetings shall be disqualified from further service as a Director.

## **ARTICLE V**

### **Meetings of the Board**

Section 5.1. Place of Meetings. Except as is or hereafter may be provided by law, the Board may hold its meetings in such places in the State of Colorado or outside that state as the Board may from time to time determine.

Section 5.2. Time of Meetings. Regular meetings of the Board shall be held at such times and places as the Board may determine. A regular meeting of the Board may be held each year immediately following the annual meeting of Members to elect officers and to conduct such other business as may properly come before the Board. Special meetings of the Board may be called by the Chairman or by one-third (1/3) of the total number of

Directors.

Section 5.3. Notice of Meetings. The Secretary or another designated officer of the Cooperative, or any Director calling a special meeting, shall give notice of each meeting by facsimile, e-mail, or by mailing same to each Director, stating the time, date and place of the meeting, but such notice may be waived by any Director. Meetings of the Board shall be held upon not less than two (2) days' notice if to be held by electronic means, and upon not less than ten (10) days' notice if to be held in person.

Section 5.4. Waiver of Notice. A Director's attendance at a special meeting shall constitute waiver of the notice requirement for that meeting, unless (a) the Director objects to the lack of or method of notice and does not thereafter participate in the meeting; or (b) if notice of the purpose of the meeting was required but not given and the Director objects to the transaction of business for that purpose, and does not thereafter participate in the meeting with respect to that purpose.

Section 5.5. Quorum. At meetings of the Board, a majority of Directors in office shall be necessary and sufficient to constitute a quorum for the transaction of business. If a quorum is present, the acts of a majority of the Directors in attendance shall be acts of the Board. Each Director shall be entitled to cast one vote on all matters unless otherwise required by law or provided herein.

Section 5.6. Participation in Meetings. Directors may participate in any meeting of the Board or any committee created by the Board by means of conference telephone or other telecommunications equipment by means of which all Directors participating in such meeting are able to hear each other and communicate simultaneously with each other during the meeting, and participation in a meeting pursuant to this section shall constitute the presence of such Director at such meeting for all purposes.

Section 5.7. Informal Action. If all Directors severally or collectively consent in writing to any action taken or to be taken by the Cooperative and the writing or writings evidencing their consent are filed with the Secretary, the action shall be as valid as though it had been authorized at a meeting of the Board.

Section 5.8. Committees. The Board may appoint from among its own members such committees as the Board may determine, each of which shall consist of no fewer than two (2) Directors and shall have such powers and duties as may from time to time be prescribed by the Board. A majority of the members of any committee may fix its rules of procedure unless such rules of procedure are determined by the Board.

## **ARTICLE VI** **Officers**

Section 6.1. Officers. The elected officers of the Cooperative shall be the Chairman of the Board, a Vice Chairman, a Secretary and a Treasurer. The Chairman, the Vice Chairman, the Secretary, and the Treasurer shall be selected from among the Directors

then in office. The Board may appoint such officers and agents and grant them such power, authority, and duties as the Board may from time to time deem necessary or desirable to carry out the business of the Cooperative. Two (2) or more offices may be held by the same person, except that the offices of Chairman and Secretary may not be simultaneously held by the same person.

Section 6.2. Tenure, Election and Compensation. The elected officers enumerated in Section 6.1 shall be elected annually by the Board and shall serve no more than two (2) consecutive one-year terms in an office. Such election shall be held at the Board reorganization meeting to be held following the first Board meeting of the calendar year. The compensation of any officer of the Cooperative elected by the Board shall be set by it. Each elected officer shall serve until his or her replacement is elected, but all officers shall be subject to removal at any time with or without cause upon vote of the Board.

Section 6.3. Chairman. The Chairman, if present, shall preside at all meetings of the Board and the Members; shall have the general powers and duties usually vested in the office of chairman of the board of a cooperative; and shall further have such other powers and duties as may be prescribed by the Board or these Bylaws.

Section 6.4. Vice Chairman. The Vice Chairman, if any, shall in the absence or disability of the Chairman perform the duties and exercise the powers of the Chairman, including presiding at meetings of the Board and the Members. The Vice Chairman shall also perform whatever duties the Board may from time to time assign.

Section 6.5. President-Powers and Duties. The President shall be chief executive officer of the Cooperative and shall have general supervision of the employees and business of the Cooperative. Unless otherwise provided by the Board, the President, or any Vice President designated by the Board or the President, shall execute all contracts, bonds and deeds of conveyance as acts of the Cooperative, attested by the Secretary or any other person duly authorized by the Board or the President. The President shall see that all orders and resolutions of the Board are carried into effect, and shall perform such other duties as may from time to time be delegated by the Board. The President shall not be a Director.

Section 6.6. Secretary-Powers and Duties. The Secretary shall have primary responsibility for giving notices of meetings of Members and Directors and for recording such proceedings. The Secretary shall be custodian of the seal of the Cooperative, which shall be affixed to all necessary instruments. The Secretary or such other person or persons designated by the Board or the President shall also be custodian of records, contracts and other documents of the Cooperative and shall perform whatever duties and have whatever other powers the Board or the President may from time to time assign. The Secretary or the Secretary's designee shall keep a register of the names and post office addresses of all the Members and keep on file at all times a complete copy of the Articles and the Bylaws, in each case containing all the amendments thereto. Such copies shall be open to the inspection of any Member at reasonable times, and the Secretary or the Secretary's designee shall furnish a copy of the Bylaws as amended to any Member upon

request. The Secretary or the Secretary's designee shall cause all notice of all meetings of the members and all meetings of the Board of Directors to be sent as required by law or these Bylaws.

Section 6.7. Treasurer-Powers and Duties. The Treasurer or such other officer or person as the Board may direct, shall receive, receipt for and keep all monies belonging to or coming to the Cooperative and deposit or invest same in such bank or banks or other financial institutions or instruments as the Board may from time to time direct; keep full and true accounts of all receipts and disbursements; make detailed and true reports of same to the Board and President whenever called upon to do so; and have custody of all funds and securities of the Cooperative that may come into such person's hands.

Section 6.8. Vacancies. In the event of a vacancy of any elected office by reason of death, disability or other cause, the Chairman (and any Vice Chairman, jointly) may appoint such person to such office on an interim basis as may be necessary to carry on the operations of the Cooperative, and a meeting of the Board shall be held as soon as reasonably practical to elect a successor; provided, however, that if such vacancy is in the office of the Chairman or Vice Chairman and the former incumbent no longer serves on the Board, the election of a successor shall not be held until an interim replacement Director is elected as provided herein.

Section 6.9. Surety Bonds. If required by the Board, any officer, Director or employee shall give the Cooperative a bond in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of such person's office and for the restoration to the Cooperative in case of such person's death, resignation, retirement or removal from office, of all books, papers, vouchers, monies and other property of whatever kind in such person's possession or under such person's control belonging to the Cooperative. Any bond required under this section of the Bylaws shall be paid by the Cooperative.

## **ARTICLE VII** **Indemnification**

### Section 7.1. Basis for Indemnification.

(a) To the maximum extent permitted by law, under the circumstances prescribed in Section 7.2, the Cooperative shall indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Cooperative) by reason of the fact that the person is or was a Director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a Director, officer, employee or agent of another cooperative, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by that person in connection with such action, suit or proceeding if the person acted in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination

of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person (i) did not act in a manner which such person reasonably believed to be in or not opposed to the best interests of the Cooperative, and (ii), with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

(b) Under the circumstances prescribed in Section 7.2, the Cooperative shall, to the maximum extent permitted by law, indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Cooperative to procure a judgment in its favor by reason of the fact such person is or was a Director, officer, employee or agent of the Cooperative, is or was serving at the request of the Cooperative as a Director, officer, employee or agent of another cooperative, partnership, joint venture, actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Cooperative; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Cooperative, unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity hereunder for such expenses which the court shall deem proper.

Section 7.2. Right to Indemnification. To the extent that a Director, officer, employee or agent of the Cooperative has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 7.1, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorney's fees and legal costs) actually and reasonably incurred by such person in connection therewith. Said indemnification is not intended to benefit third parties in any manner. Except as provided in the preceding sentence and except as may be ordered by a court, any indemnification under Section 7.1 shall be made by the Cooperative only as authorized in the specific case upon a determination that indemnification of the Director, officer, employee, or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 7.1. Such a determination shall be made (a) by the Board by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding; or (b) by independent legal counsel employed by the Cooperative, in a written opinion, if such a quorum is not obtainable, or, if obtainable, a quorum of disinterested Directors so directs; or (c) by the affirmative vote of a majority of the Members entitled to vote thereon.

Section 7.3. Expenses. A majority of disinterested Directors may provide that any expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Cooperative in advance or as to a specific case or as to a specific person or persons (designated by name, title or class of person), but only upon receipt of an undertaking by or on behalf of such Director, officer, employee or agent to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the

Cooperative as authorized in this Article VII. In the event that the entire Board is named as defendants in any action, the Board may act to provide that any expense may be paid in advance under the same conditions specified in this section.

Section 7.4. Non-Exclusivity. The provisions for indemnification and advancement of expenses provided by this Article VII shall not be deemed exclusive of any other rights, in respect of indemnification or otherwise, to which those seeking indemnification may be entitled under any statute, bylaw or agreement or pursuant to any valid action of the Members.

Section 7.5. Insurance. The Cooperative may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a Director, officer, employee, or agent of another Cooperative, partnership, joint venture, trust, or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Cooperative would have the power to indemnify such person against such liability under the provisions of this Article VII.

Section 7.6. Right to Participate in Defense. As a condition to any such right of indemnification or to receive advance expenses, the Cooperative may require that it be permitted to participate in the defense of any such action or proceeding through legal counsel designated by the Cooperative and at the expense of the Cooperative.

Section 7.7. Continuation of Right of Indemnification. The rights to indemnification and advancement of expenses provided in this Article VII shall continue notwithstanding that a person who would otherwise have been entitled to indemnification or advancement of expenses hereunder shall have ceased to be a Director, officer, employee or agent, and such rights shall inure to the benefit of the heirs, executors and administrators of such person.

Section 7.8. Disclosure to Members. If any expenses or other amounts are paid by way of indemnification, otherwise than by court order or action by the Members or by an insurance carrier pursuant to insurance maintained by the Cooperative, the Cooperative shall, not later than the next annual meeting of Members, send by first class mail (or if the Cooperative shall have at the time more than two hundred (200) Members entitled to vote, by such other means as may be authorized by the Act for notices of meetings of members) to its Members of record at the time entitled to vote, a statement specifying the persons paid, the amounts paid, and the nature and status at the time of such payment of the litigation or threatened litigation.

Section 7.9. Former Directors. To the extent permitted by law, the foregoing provisions shall apply to the former Directors, officers, employees and agents of any of the Initial Members with respect to claims or actions which are asserted or known to the Board of the Cooperative within two (2) years from the effective date of the merger of Initial Members into this Cooperative.

## **ARTICLE VIII** **Revenues and Margins**

**Section 8.1. Charges.** Every charge made by the Cooperative for services rendered or to be rendered, or goods or merchandise sold or to be sold, shall be reasonable and just. Such charges shall be designated to produce sufficient revenue as to pay all legal and other necessary expenses incident to the operation of such plants, works, facilities, equipment or properties, including maintenance costs, operating charges, overhead, upkeep, repairs, interest or other obligations, and to provide adequate funds for working capital, extensions, and replacements, to pay taxes and to provide a reasonable cash reserve for specified purposes or general contingencies. In compliance with Subchapter T and the regulations issued thereunder and judicial interpretations thereof, any amounts remaining at the end of any fiscal year after provision has been made for all the items specified in the immediately-preceding sentence, and after any other necessary expenses or reserves, shall be deemed surplus funds ("Surplus Funds").

**Section 8.2. Patronage.** If any Surplus Funds shall remain at the end of the Cooperative's fiscal year, after provision has been made for all of the items specified in Section 8.1 of this Article VIII and any other necessary expenses or reserves, such Surplus Funds shall, to the extent determined by the Board, be allocated among Members. If the Board shall so determine, such funds (including amounts thereof received from sources other than patronage with Members) or a portion thereof (a) may be retained by the Cooperative for utilization in implementing its growth and progress, (b) may be allocated to a general unallocated capital reserve which the Board may utilize to offset any losses incurred during the current or any prior fiscal year, (c) may be used for payment of income taxes, and/or (d) may be allocated for other purposes determined in accordance with generally accepted accounting practices, in all of which cases any balance of such Surplus Funds shall be paid in cash or by qualified notices of allocation to the respective Members. All such amounts credited to the capital account of any Member (i) shall have the same status as though such amounts had been paid to the Member in cash in pursuance of a legal obligation to do so and the Member had then furnished the Cooperative corresponding amounts of capital, and (ii) shall be held subject to the security interest provided for in Section 8.5 below.

The management of the Cooperative shall review the financial condition of the Cooperative and the Surplus Funds available each fiscal year, and shall recommend to the Board how much should be allocated as set forth in this Section 8.2. The Board shall act upon such recommendations and shall have sole authority to determine the allocations most appropriate. Any allocation of patronage to a member shall be in accordance with Subchapter T and will be treated by the Member as set forth in Section 2.9 of these Bylaws.

**Section 8.3. Retirement of Credits.** In the event of dissolution or liquidation of the Cooperative, after all indebtedness of the Cooperative shall have been paid, all outstanding capital credits shall be retired without priority on a pro-rata basis before any payments are made on account of the property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors, in its sole discretion, shall determine that

the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Any such retirement of capital may be made, in the sole discretion of the Board of Directors, under methods which establish the basis, priority, and order of retirements. Any such methods may be changed by the Board of Directors at any time and without regard to previous methods employed for such retirements.

In no event shall any capital retirement of a patron be deemed to have vested in the patron when it has been authorized by the Board of Directors unless and until such time as the patron shall bring current all accounts owed to the Cooperative. The amount of any capital credit retirement payable to the patron shall be deemed to be contingent upon the patron bringing all accounts owed to the Cooperative current. The Cooperative is authorized to use the patron's contingent capital account retirement for application against any account due from the patron to the Cooperative.

Section 8.4 Unclaimed Funds. All amounts that have been credited or declared payable by the Cooperative but remain unclaimed by the holder three (3) years after notification has been mailed to such holder's last-known address of record on the books of the Cooperative, shall be transferred to the general operating account of the Cooperative.

Section 8.5 Cooperative's Security Interest and Right to Set-Off. Notwithstanding any other provision of these Bylaws, all amounts credited to the capital account of any Member pursuant to this Article, and any other sums held by the Cooperative that are payable or may become payable to such Member, and all payments or other distributions thereof, shall be held by the Cooperative subject to a security interest in favor of the Cooperative therein to secure the payment of all debts of such Member to the Cooperative, whether for goods or services or otherwise, and may be set off against such debts at the time such debts or distributions would become payable to such Member.

## **ARTICLE IX** **Miscellaneous**

Section 9.1. Annual Statement. The Board and the management of the Cooperative shall present, at each annual meeting, and when called for by vote of the Members at any special meeting of the Members, a full and clear statement of the business and condition of the Cooperative. Such statement shall include a table disclosing all compensation, expense, reimbursement and other monies paid to or on behalf of each Director. The Cooperative, within four (4) months of the end of its fiscal year, shall file a statement of its assets and liabilities and changes in surplus for the fiscal year at its principal office and shall keep it on file for ten (10) years.

Section 9.2. Liability of Members, Directors and Officers for Certain Payments. Unless otherwise provided by the Board in any instance, any payment made to a Member (such as a refund as provided in Section 8.3) or any payment made to a Director or officer of the Cooperative, such as salary, commission, bonus, interest, or rental or entertainment expense incurred by such person, that shall be disallowed in whole or in part as a deductible expense by the Internal Revenue Service, shall, promptly upon written demand

of the Board, be reimbursed by such Member, Director or officer to the Cooperative to the full extent of such disallowance. In lieu of payment, subject to the determination of the Board, proportionate amounts may be withheld from such Member's or person's future distributions or compensation until the amount owed to the Cooperative has been recovered.

### Section 9.3. Amendments.

(a) Subject to the provisions of the Act and the Articles, these Bylaws may be changed (altered, amended or repealed) by the affirmative vote of not less than a majority of the total Directors in office, or by a majority of the votes cast by the Member represented, at any regular or special Board or Member meeting, as the case may be and with proper notice; provided, however, that either the Board or the Members may change any bylaw if, as established by law, such bylaw is illegal or has become a legal nullity.

(b) A bylaw may be changed only if (i) a copy or an accurate summary explanation of the proposed change is contained in or with the notice of the Board or Member meeting at which it is to be acted upon; and (ii), if to be acted upon by the Members, it is sponsored by the Board or at least fifty (50) Members who over the signatures of their appropriate officer file with the Cooperative a petition, proposing such change and setting forth with particularity the wording thereof and the time that the change is to become effective, at least forty five (45) days prior to the date of the Member meeting at which such change will be acted upon; provided, however, that if the Cooperative is presented with a written request by one or more but fewer than fifty (50) Members that a bylaw change be noticed to and acted upon by the Members, and if the request sets forth with particularity the wording of the proposed change and the time that it is to become effective, the Board may, but shall not be obligated to, waive the forgoing petition requirement and cause such proposed change to be noticed and acted upon. Any change so noticed may be amended from the floor of the Board or Member meeting at which it is being considered if the amendment is germane thereto. In no instance shall the Board cause any proposed bylaw change to be noticed or acted upon or permit any amendment to a proposed bylaw change be acted upon, if the Board determines that such change or amendment, if adopted, would be illegal or a legal nullity. Any change to these Bylaws made by the Board must be disclosed to the Members no later than their next annual meeting.

Section 9.4. Disposition of Property. The sale or encumbrance of any property, other than in the ordinary course of business, shall be subject to the control and direction of the Board, which shall be vested with discretion as to any sale and encumbrance of property, except to the extent specifically restricted by applicable law or by action of the Members at a meeting lawfully in session.

Section 9.5. Rules and Regulations. The Board shall have the power to make and adopt such rules and regulations, not inconsistent with law, the Articles or these Bylaws, as the Board may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

Section 9.6. Force Majeure. To the extent permitted by applicable law, the Cooperative shall not be liable for damages to Members caused by, or arising out of, a Force Majeure.