
**INTERMOUNTAIN RURAL
ELECTRIC ASSOCIATION**
Sedalia, Colorado

BYLAWS

Revised 2012

**ARTICLE I
MEMBERSHIP**

Section 1

Requirements for Membership

Any individual who is emancipated or has attained the age of majority, corporation, partnership, limited liability company, governmental entity, or other legal entity will become a member of Intermountain Rural Electric Association ("Association") by:

- (a) Making written application and paying the membership fee hereinafter specified;
- (b) Agreeing to purchase, from the Association, electric energy as hereinafter specified; and
- (c) Agreeing to comply with and be bound by the Certificate of Incorporation of the Association and these Bylaws, and any amendments thereto, and such rules and regulations as may from time to time be adopted by the Board of Directors ("Board").

Such application and agreements may be electronic. The Association may notify customers upon or before initial billing that they are deemed to have so applied and agreed upon requesting and accepting electric service and may thereafter bill any unpaid membership fee as part of the initial monthly billing.

No person or entity may own more than one (1) membership in the Association.

Section 2

Membership and Fees Required

The membership fee shall be in the amount of five dollars (\$5.00). Although no certificate of membership shall be issued, membership in the Association shall be evidenced by the records of the Association when the requirements set forth in Section 1 above have been met and the membership fee paid. An additional fee of five dollars (\$5.00) shall be paid for each additional connection requested by a member. The membership fee shall be included in the first billing to each new member unless paid at the time of application for membership.

Section 3

Purchase of Electric Energy by Members

Each member shall, as soon as electric energy shall be available, purchase from the Association all electric energy used on the premises specified in the member's application for service, except energy generated by the member, and shall pay for same at rates which shall from time to time be fixed by the Board, as promulgated in the rates, rules and regulations of the Association as amended. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Association facilities, shall

be subject to appropriate regulations as shall be fixed from time to time by the Association.

It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital, and each member shall be credited with the capital so furnished as provided in these Bylaws.

Each member shall pay to the Association such minimum amount, regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by him to the Association as and when the same shall become due and payable.

Section 4

Termination of Membership

Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Association and upon compliance with such uniform terms and conditions as the Board may prescribe.

The Board may, by the affirmative vote of not less than two-thirds (2/3) of all the members of the Board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules or regulations adopted by the Board, but only if such member shall have been given written notice by the Association that such failure makes the member liable to expulsion and such failure shall have continued for at least fifteen (15) days after such notice, or by vote of the members at any annual or special meeting.

The membership of a member who, for a period of three (3) months after service is available to the member, has not purchased electric energy from the Association, or of a member who has ceased to purchase energy from the Association, may be cancelled by resolution of the Board.

Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate.

Termination of membership in any manner shall not release a member or the member's estate from any debts due the Association.

Section 5

Transfer and Termination of Membership

Except as provided in Section 6 of this Article, membership in the Association shall only be transferable to any individual or entity who or which is eligible for membership in the Association and becomes a member of the Association under the conditions set forth in these Bylaws. Upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of that member in the Association shall terminate. In the event of the death of a member, no fee will be charged to the surviving spouse for the renewal of membership.

Upon termination of membership, all rights to patronage capital credited shall be retained in the member's patronage capital account, which will maintain equal status to other patronage capital in the Association and will both be retained in the member's patronage capital account and be eligible for retirement by the manner specified in Article VI of these Bylaws.

Except for the retained right to assigned patronage capital, if any, termination of membership in any manner shall operate as a release of all right, title and interest of the member in the property and assets of the Association; provided, however, that such termination of membership shall not release the member from the debts or liabilities of such member to the Association.

Section 6 *Joint Membership*

Spouses may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include spouses 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 as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one (1) member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one (1) joint vote, and no half votes shall be allowed;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either, but not both, may be elected or appointed as an officer or Director, provided that both meet the qualifications for such office;
- (h) For all official Association business, a joint membership shall constitute one (1) vote.

A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, Bylaws, and rules and regulations adopted by the Board. The records of the Association shall reflect the change in membership as made.

Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The change in membership shall be recorded in the records of the Association. Upon the dissolution of marriage or legal separation of joint members, the joint membership shall terminate and either or both parties may apply for a new membership as herein provided. Such termination shall not release either party from debts or liabilities to the Association.

Section 7 *Removal of Director by Members*

The members of the Association shall have the power at any meeting of the members to remove any officer or Director for cause by following the procedure hereinafter specified. Any member may bring charges against a member of the Board of Directors ("Director") by filing with the Secretary a petition designating the Director by name and specifically setting forth charges upon which removal is sought. The petition must be signed by at least ten percent (10%) of the members. Separate petitions must be filed if removal is requested of more than one (1) Director.

Such Director shall be informed in writing of the charges at least thirty (30) 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 charges, and the member or members 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 at the meeting of the members, and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the provisions of Article III, Section 5 regarding nominations for Directors.

Section 8 *Non-Liability for Debts of the Association*

The private property of the members of the Association shall be exempt from execution for the debts of the Association, and no member shall be individually liable or responsible for any debts or liabilities of the Association.

ARTICLE II **MEETINGS OF MEMBERS**

Section 1 *Annual Meeting*

The annual meeting of the members shall be held at a location within the service area of the Association or the City and County of Denver during the month of April. The date, time, and location of the annual meeting shall be designated by the Board in accordance with Article II, Section 3. The purpose of the meeting shall be to elect Directors, adopt reports covering the previous fiscal year, and transact other business as may come before the meeting. It should be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold a meeting at the time and place designated shall not work a forfeiture or dissolution of the Association.

Section 2 *Special Meetings*

Special meetings of the members may be called by resolution of the Board or upon written request signed by any three Directors, by the President, or by ten percent (10%) or more of all the members. Such resolution or request shall cite the specific purpose or purposes for which the special meeting is being called and shall be in conformity with all applicable State laws,

Association Articles of Incorporation, and Bylaws. It shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at such time and at any place within the service area of the Association, or within the City and County of Denver, as designated by the Board and the time and place of which shall be specified in the notice of the special meeting.

Section 3

Notice of Members' Meetings

No less than six (6) months before the date of the annual meeting public notice of the place, day, and hour of the meeting shall be published in a newspaper printed in the county where the principal office of the Association is located, or in one (1) newspaper of general circulation in the service area of the Association, and shall be posted on the Association's web site.

Written or printed notice stating the place, day, and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called, shall also be delivered not less than fifteen (15) days before the meeting, either personally, by mail, or electronically to members who have authorized electronic billing, by or at the direction of the Secretary, or by the persons calling the meeting, to each member. No business shall be transacted at such special meeting except as shall be mentioned in the notice.

If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the member's address as it appears on the records of the Association with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action that may be taken by the members at such meeting.

Section 4

Quorum

Ten percent (10%) of the total number of members of the Association present in person or by proxy shall constitute a quorum for the purpose of transacting business provided, however, that at least two and one-half percent (2½%) of the members are present in person. If less than a quorum is present at any meeting, the Board may adjourn the meeting from time to time without further notice.

If these Bylaws, applicable law, or any resolution of the Board authorizes voting on any question by mail, mail ballots received by the Association as of the close of business on the day preceding a members meeting shall be included in the member count for the limited purpose of establishing a quorum as to the specific question set forth in such mail ballots.

Section 5

Voting

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. A member who has submitted a mail ballot on any question shall not be entitled to vote in person. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person or by

proxy, except as otherwise provided by law, the Certificate of Incorporation of the Association or these Bylaws. If spouses hold a joint membership, they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

Any member that is not a natural person must properly designate in writing to the Association, at least one (1) week prior to any annual meeting or special meeting where voting will take place, or, in the event of mail balloting, at least one (1) month prior to the mailing of ballots to members, the name of the individual who will vote the membership of the organization. Should that individual be nominated to serve on the Board, he or she shall meet all of the qualifications for such office as contained in these Bylaws. Should such individual be elected or appointed as a Director, said organization delegate shall be deemed an individual natural person to the extent that if the organization or the delegate resigns or is expelled, the Board, and not the organization, shall appoint a replacement from the Association membership as provided for herein.

Section 6

Proxies

At all meetings of members, a member may vote by proxy executed in writing by the member except for election of Directors. Voting for Directors by proxy or cumulative voting is prohibited. Only a member may hold and vote the proxy of another member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated. No member shall vote as proxy for more than three (3) members at any meeting of the members and no proxy shall be valid after sixty (60) days from the date of its execution. The presence of a member at a meeting of the members shall revoke a proxy theretofore executed by the member, and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if the member had not executed a proxy.

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

Section 7

Order of Business

The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members shall be essentially as follows:

- (a) Report on the number of members present in person and by proxy in order to determine the existence of a quorum;
- (b) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be;
- (c) Reading of the unapproved minutes of previous meetings of the members and the taking of necessary action thereon;

- (d) Presentation and consideration of, and acting upon reports of officers, Directors and committees;
- (e) Election of Directors;
- (f) Unfinished business;
- (g) New business; then
- (h) Adjournment.

- (d) is an employee of the Association; or
- (e) holds any governmental office or employment with any state or local agency, entity, board, or commission that regulates or exercises jurisdiction over any aspect of the operations of the Association within the ordinary course of the Association's business.

ARTICLE III BOARD MEMBERS

Section 1

General Powers

The business and affairs of the Association shall be managed by a Board of seven (7) Directors that shall exercise all of the powers of the Association except such as are by law, or by the Certificate of Incorporation of the Association, or by these Bylaws conferred upon or reserved to the members.

Section 2

Election and Tenure of Office

Each district shall be represented by one (1) Director who shall be elected for a four (4) year term. Directors representing Districts Nos. 3, 5, and 7 shall have terms of office expiring on the first odd-numbered year following each leap year. Directors representing Districts Nos. 1, 2, 4, and 6 shall have terms of office expiring on the second odd-numbered year following each leap year. Each term shall end on the date of the annual meeting in the year the term expires, provided that Directors shall continue in office until their successors have been elected and have qualified.

Each Director shall be elected by the members of the district he or she represents. Only those members located within a given district shall be entitled to vote for a Director to represent that district, and no member shall be entitled to cast more than one (1) vote.

No person shall be elected Director unless nominated in accordance with Article III, Section 5 of these Bylaws, except as may otherwise be provided in these Bylaws. Procedures for the election of Directors shall be as set forth in Article III, Section 6 of these Bylaws. If for any reason the members fail to elect a Director for any district at the expiration of the incumbent Director's term of office, the incumbent shall continue in office for the new term.

Section 3

Qualifications

No person shall be eligible to become or remain a Director of the Association who:

- (a) is not a member of the Association;
- (b) is not purchasing electric energy in his or her district within the area served by the Association;
- (c) is an officer, director, employee, or owner of five (5%) percent or more of an enterprise that (i) competes with the Association, (ii) is in the business of selling energy, supplies, or services to the Association, or (iii) markets a substantial portion of its business to electrical cooperatives or utilities;

Upon establishment of the fact that a Director is holding the office in violation of any of the foregoing provisions, that individual shall automatically be considered to no longer be a member of the Board.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

When a membership is held jointly by spouses, either one, but not both, may be elected a Director; provided, however, that neither one shall be eligible to become or remain a Director or to hold a position of trust in the Association unless both shall meet the qualifications hereinabove set forth.

Section 4

Director Districts

The territory served or to be served by the Association shall be divided into seven (7) districts, each of which shall contain as nearly as possible the same number of members. The boundaries of the districts shall be established by Board resolution. Each district shall be represented by one (1) Director.

Maps delineating the area and legal descriptions designating exact boundaries of each district shall be prepared and maintained on file at each office of the Association.

Beginning in 1987 and continuing every eighth (8th) year thereafter, the Board shall review the composition of all the districts and, if it should find substantial inequalities in representation which would be corrected by a redelineation of districts, the Board shall reconstitute districts so that each shall contain as nearly as practicable the same number of members. Such procedure shall be invoked in years other than every eighth (8th) year in the event the total membership of the Association is either increased or decreased by over ten percent (10%) from the prior year due to new territory acquisition or territory sale respectively. Such redelineation of districts shall be carried out not less than ninety (90) days nor more than one hundred eighty (180) days before the Association's annual meeting.

Section 5

Nominations

Any fifteen (15) or more members may make nominations for Director in each district in writing over their signatures not more than ninety (90) nor less than forty-five (45) days prior to the annual meeting, and the Secretary shall post the names of those nominated by valid petition at the principal office and district offices of the Association. To be eligible for placement on the ballot a nominee must meet the requirements of Section 3 of this Article and the nominating petition must be received by the close of business at least forty-five (45) days prior to the annual meeting.

Section 6
Election of Directors

Each member of a District shall be entitled to vote for one (1) candidate nominated from the member's district, either at a meeting held for such purpose or by mail, but not both, provided that there shall be no voting by mail in any district for which only one (1) candidate is nominated. A member who has voted by mail shall not be entitled to vote at the meeting. Voting for directors shall conclude as of adjournment of the annual meeting in April of any election year.

When there is a contested election, the secretary of the Association shall be responsible for mailing or causing to be mailed to each eligible member a ballot listing the candidates nominated for Director in the member's district. Such ballots shall be mailed by an independent printing or mailing service not less than thirty (30) days before the meeting at which Directors are to be elected. There shall be included with each ballot a biographical sketch and position statement on a single 8½" by 11" page, provided that such document need not be included with ballots if a candidate has not provided one to the Board Secretary at least forty-five (45) days prior to the meeting at which Directors are to be elected. Also included shall be a patterned security envelope to be used for placement of each mailed ballot and a return envelope. If possible, return envelopes shall use a permit imprint or other similar arrangement that allows the U.S. Postal Service to log the number of envelopes returned to the Association.

All ballots voted by mail must be received by the Association at its Sedalia, Colorado office on or before five o'clock (5:00) p.m. on the day preceding the annual meeting. All ballot return envelopes shall be signed by the voting member and shall include that member's account number. Envelopes containing mailed ballots shall remain sealed and uncounted until the meeting held for the purpose of electing directors. The candidate from each district receiving the highest number of votes shall be deemed elected as a member of the Board.

Section 7
Vacancies

Subject to the provisions of these Bylaws with respect to the removal of Directors, vacancies occurring on the Board shall be filled by a majority vote of the remaining Directors, and a Director thus elected shall serve for any remaining unexpired portion of the term or until a successor shall have been elected and shall have qualified.

Section 8
Compensation

Directors shall not receive any salary for their services except by Board resolution a fixed sum for each day or portion thereof spent on Association business, such as attendance at Board meetings or at other meetings and conferences, may be allowed. If authorized by the Board, Directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Association business, or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No Director shall receive compensation for serving the Association in any other capacity, nor shall any close

relative of a Director receive compensation for serving the Association, unless such compensation shall be specifically authorized by vote of the members.

ARTICLE IV
MEETINGS OF BOARD

Section 1
Regular Meetings

A regular meeting of the Board shall be held on the first Tuesday of each month, or at a substitute date agreed to by the majority of the Directors, at such time and place within the service area or at the headquarters of the Association as designated by the Board. Notice of the time and place of a meeting of the Board and a copy of the agenda for such meeting shall be posted on the Association's web site and in every service office maintained by the Association at least ten (10) days before any regular meeting and as soon as the meeting is scheduled in the case of a special meeting. If a meeting is postponed or cancelled, notice of the postponement or cancellation shall immediately be posted on the web site. The agenda shall specifically designate the issues or questions to be discussed, or actions to be taken, at the meeting. Copies of said agenda shall be available at each service office for members and consumers.

All meetings of the Association shall be open to the members, consumers, and news media at all times, except that cameras and recording devices shall be prohibited; but, the Board, by a two-thirds (2/3) affirmative vote of the Directors present, may go into executive session for consideration of documents or testimony given in confidence. The Board shall not make final policy decisions or adopt or approve any resolution, rule, regulation, or formal action, any contract, or any action calling for the payment of money at any session which is closed to the members, consumers, and news media. Prior to the time the Board convenes in executive session, the Board shall announce the general topic of executive session.

At regular meetings of the Board, members of the Association shall be given the opportunity to address the Board concerning the policies and business of the Association, subject to reasonable restrictions on the amount and duration of public comment as determined by the Board. Unless otherwise determined by the Board from time to time, such comment shall be permitted for up to one-half (1/2) hour at each meeting, with three (3) minutes allotted to each individual speaker.

Section 2
Special Meeting

Special meetings of the Board may be called by the President or by any three (3) Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or Directors calling the meeting shall fix the time and place for the holding of the meeting.

Section 3

Notice of Board Meetings

Written notice of the time, place, and purpose of any meeting of the Board shall be delivered to each Director personally, electronically or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the Directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Director at his or her address as it appears on the records of the Association, with postage thereon prepaid, at least ten (10) days before the date set for the meeting. Appearance at the time and place set for the meeting shall be deemed a waiver of any defect in notice.

Section 4

Quorum

A majority of the Board shall constitute a quorum. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws.

Section 5

Manner of Acting

The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board.

ARTICLE V OFFICERS

Section 1

Number

The officers of the Association shall be a President, Vice President, Secretary, Assistant Secretary, Treasurer, and Assistant Treasurer. The offices of Secretary and Treasurer may be held by the same person, and the offices of Assistant Secretary and Assistant Treasurer may be held by the same person.

Section 2

Election and Term of Office

The officers shall be elected annually by and from the Board at the first meeting of the Board 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 following the next succeeding annual meeting of the members or until his or her 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

Vacancies

Except as otherwise provided in these Bylaws, a vacancy in any office shall be filled by the Board for the unexpired portion of the term.

Section 4

Removal

Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby.

Section 5

President

The President shall:

- (a) Be the principal executive officer of the Association and shall preside at all meetings of the members and of the Board;
- (b) Sign, with the Secretary, all documents and matters which shall have been authorized by resolution of the Board, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed; and
- (c) In general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

Section 6

Vice President

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

Section 7

Secretary

The Secretary shall:

- (a) Keep the minutes of meetings of the members and the Board in one (1) or more books provided for that purpose;
- (b) See that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) Be custodian of the corporate records and of the seal of the Association and see that the seal of the Association is affixed to all documents, the execution of which on behalf of the Association under its seal is duly authorized in accordance with the provisions of these Bylaws;
- (d) Keep a register of the post office address of each member which shall be furnished to the Secretary by each member;
- (e) Have general charge of the books of the Association in which a record of the members is kept;
- (f) Keep on file at all times a complete copy of the Bylaws of the Association containing all amendments thereto, which copy shall always be open to the inspection of any member and at the expense of the Association, forward a copy of the Bylaws and of all amendments thereto to any member upon request; and

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

Section 8 *Treasurer*

The Treasurer shall:

- (a) Have charge and custody of and be responsible for all funds and securities of the Association;
- (b) Receive and give receipts for money due and payable to the Association from any source whatsoever, and deposit all such monies in the name of the Association in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and
- (c) In general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board.

Section 9 *Assistant Secretary*

In the absence of the Secretary, or in the event of his or her inability or refusal to act, the Assistant Secretary shall perform the duties of the Secretary, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary. The Assistant Secretary shall perform such other duties as from time to time may be assigned by the Board.

Section 10 *Assistant Treasurer*

In the absence of the Treasurer, or in the event of his or her inability or refusal to act, the Assistant Treasurer shall perform the duties of the Treasurer, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. The Assistant Treasurer shall perform such other duties as from time to time may be assigned by the Board.

Section 11 *General Manager*

The Board may appoint a general manager who may be, but who shall not be required to be, a member of the Association. The general manager shall perform such duties as the Board may from time to time require and shall have such authority as the Board may from time to time vest in him or her.

Section 12 *Bonds of Officers*

The Board shall require the Treasurer or any other officer of the Association charged with the responsibility for the custody of any of its funds or property, to give bond in such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent or employee of the Association to give bond in such amount and with such surety as it shall determine.

Section 13 *Compensation*

The compensation, if any, of any officer or agent who is also a Director or close relative of a Director, shall be determined by the members, as provided elsewhere in these Bylaws. The compensation of an employee who is a close relative of a Director shall also be determined by the membership. The powers, duties, and compensation of any other officers, agents, and employees shall be fixed by the Board.

Section 14 *Reports*

The officers of the Association shall submit, at each annual meeting of the members, annual reports covering the business of the Association for the previous fiscal year and showing the condition of the Association at the close of such fiscal year.

Section 15 *Delegation of Duties*

Notwithstanding the duties, responsibilities, and authority of the Secretary and the Treasurer herein before provided, the Board by resolution may, except as otherwise limited by law, delegate wholly or in part authority for, and the regular and written administration of, one (1) or more such duties to one (1) or more employees of the Association who are not Directors.

In case of the death or the temporary absence of any officer of the Association or for any other reason that the Board may deem sufficient, the Board may delegate the powers and duties of any such officer to any other officer or to any Director provided a majority of the entire Board concurs therein.

ARTICLE VI **NONPROFIT OPERATION**

Section 1 *Interest or Dividends on Capital Prohibited*

The Association shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Association on any capital furnished by its patrons.

Section 2 *Patronage Capital in Connection with Furnishing Electric Energy*

In the furnishing of electric energy, the Association's operations shall be so conducted that all patrons, members and nonmembers alike, will, through their patronage, furnish capital for the Association. In order to induce patronage and to assure that the Association will operate on a nonprofit basis, the Association is obligated to account on a patronage basis to all its patrons, members and nonmembers alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Association are received with the understanding that they are furnished by the patrons, members and nonmembers alike, as

capital. The Association is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Association shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Association shall, within a reasonable time after the close of the fiscal year, notify each patron of the amount of capital so credited to the patron's account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so, and the patron had then furnished the Association corresponding amounts for capital. The cost of power to the customer will be removed before capital credits are allocated.

In the event of dissolution or liquidation of the Association after all outstanding indebtedness of the Association shall have been paid, outstanding capital credits shall be retired without priority on a prorata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Association will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part, subject to any limitations imposed by the provisions of any mortgage or deed of trust given or assumed by the Association. The Board shall determine the manner, method, and timing of retiring and paying capital credits. As reasonable and fair, the Association may retire and pay capital credits to classes of similarly situated patrons under different manners, methods, and timing, provided the Association retires and pays capital credits to similarly situated patrons under the same manner, method, and timing. As determined by the Board, before the time the Association anticipates normally retiring and paying capital credits, the Association may retire some or all capital credits and pay the net present value of the retired capital credits.

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

Notwithstanding any other provision of these rules, the Board, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of the patron's estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these rules, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Association will not be impaired thereby.

The patrons of the Association, by dealing with the Association, acknowledge that the terms and provisions of the Articles of Incorporation and the Bylaws shall constitute and be a contract between the Association and each patron, and both the Association and the patrons are bound by such contract, as fully

as though each patron had individually signed a separate instrument containing such terms and provisions. The Bylaws shall be readily available to patrons in all offices of the Association.

Section 3 *Property Interest of Members*

Upon dissolution after:

- (a) All debts and liabilities of the Association shall have been paid; and
- (b) All capital furnished through patronage shall have been retired as provided in these Bylaws;

the remaining property and assets of the Association shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten (10) years next preceding the date of the filing of the certificate of dissolution, or, if the Association shall not have been in existence for such period, during the period of its existence.

ARTICLE VII **DISPOSITION OF PROPERTY**

The Association may not sell, mortgage, lease or otherwise dispose of or encumber any of its property other than:

- (a) Property which in the judgment of the Board, or its authorized designee for the release of easement rights, neither is nor will be necessary or useful in operating and maintaining the Association's system and facilities; provided, however, that all sales of such property shall not in any one (1) year exceed in value ten percent (10%) of the value of all of the property of the Association;
- (b) Services of all kinds, including electric energy;
- (c) Personal property acquired for resale;

unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members by the affirmative vote of at least two-thirds (2/3) of all members of the Association voting thereon at such meeting in person or by proxy, and the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however that notwithstanding anything contained herein, the Board, without authorization by the members, shall have full power and authority to borrow money from the United States of America, or any agency or instrumentality thereof, or any other authorized source, public or private, and in connection with such borrowing to authorize the making and issuance of bonds, notes or other evidences of indebtedness and to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Association, whether acquired or to be acquired, and wherever situated all upon such terms and conditions as the Board shall determine.

ARTICLE VIII FINANCIAL TRANSACTIONS

Section 1

Contracts

Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Association, and such other authority may be general or confined to specific instances.

Section 2

Checks and 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 Association shall be signed by such officer or officers of the Association and in such manner as shall from time to time be determined by resolution of the Board.

Section 3

Deposits

All funds of the Association shall be deposited from time to time to the credits of the Association in such bank or banks as the Board may select.

Section 4

Fiscal Year

The fiscal year of the Association shall begin on the first (1st) day of January of each year and end on the thirty-first (31st) day of December of the same year. However, for audit purposes, a different period may be selected by the Board.

Section 5

Indemnification of Directors, Officers, General Manager, and Assistant General Managers

Each Director, officer, general manager and assistant general manager of the Association now or hereafter serving as such, shall be indemnified by the Association against any and all claims and liabilities, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) to which he or she has or shall become subject by reason of any action alleged to have been taken, omitted, or neglected by him or her, while serving as such, if he or she acted in good faith and in such a manner that he or she reasonably believed to be in, or not opposed to, the best interests of the Association, and, with respect to any criminal action or proceedings, he or she had no reasonable cause to believe his or her conduct was unlawful; every Director, officer, general manager or assistant general manager shall be indemnified against all expenses, court costs, expert witness fees, attorney fees, judgments, fines and amounts paid in settlement or satisfaction of judgment actually or reasonably incurred by him or her in connection with such action, suit or proceeding, provided such Director, officer, general manager or assistant general manager was acting within the scope of his or her duties at the time the claim arose.

The Association may purchase and maintain insurance on behalf of any person who is or was a Director, officer, general manager or assistant general manager, against any liability asserted against him/her in any such capacity as stated in the immediately preceding subparagraph (a). Indemnification by the Association will cover all amounts above and beyond policy coverages or items not included in coverages.

The right of indemnification hereinabove provided for shall not be exclusive of any rights to which any Director, officer, general manager or assistant general manager of the Association may be entitled by law.

ARTICLE IX MISCELLANEOUS

Section 1

Waiver of Notice

Any member or Director may waive, in writing, any notice of meetings required to be given by these Bylaws.

Section 2

Rules and Regulations

The Board shall have power to make and adopt such rules and regulations not inconsistent with the law, the Certificate of Incorporation of the Association or these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Association.

Section 3

Accounting System and Reports

The Board 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, shall conform to such accounting system as may from time to time be designated by the Board of the Association. All accounts of the Association shall be examined by a committee of the Board which shall render reports to the Board at least four (4) times a year at regular meetings of the Board. The Board shall also, within thirty (30) days after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Association as of the end of such fiscal year.

Section 4

Service

The Association may generate, manufacture, purchase, acquire, and accumulate electric energy for its members and nonmember-consumers and may transmit, distribute, furnish, sell, and dispose of such electric energy to its members and nonmember-consumers.

ARTICLE X SEAL

The corporate seal of the Association shall be in the form of a circle and shall have inscribed thereon the name of the Association and the words "Corporate Seal, Colorado."

ARTICLE XI AMENDMENTS

These Bylaws may be altered, amended or repealed, or new Bylaws adopted by the affirmative vote of a majority, four (4) of seven (7) members, of the members of the Board at any regular or special meeting. A copy of such alteration or amendment shall be sent to each member of the Association within a reasonable time after such action has been taken.