

LOST RIVER ELECTRIC COOPERATIVE, INC.

The aim of the Lost River Electric Cooperative, Inc., (hereinafter called the "Cooperative") is to make electric energy available to the members at the lowest cost consistent with sound economy and good management.

BY-LAWS

ARTICLE I

Members

Section 1. Qualifications and Obligations Any person, firm, corporation, or body politic may become a member in the Cooperative, by:

- (a) Paying the membership fee hereinafter specified;
- (b) Agreeing to purchase from the Cooperative electric energy or any other product or service offered for sale by the Cooperative as hereinafter specified; and
- (c) Agreeing to comply with and be bound by the Articles of Incorporation of the Cooperative and these By-Laws and any amendments thereto and such rules and regulations as may from time to time be adopted by the board of directors, provided however, that no person, firm, association, corporation, body politic, or subdivision thereof shall become a member unless and until he or it has been accepted for membership by the board of directors or the members. At each meeting of the members held subsequent to the expiration of a period of six (6) months from the date of incorporation of the Cooperative, all applications received more than ninety (90) days prior to such meeting and which have not been accepted by the board of directors shall be submitted by the board of directors to such meeting of the members, and subject to compliance by the applicant, with the conditions set forth in sub-divisions (a), (b), and (c) of this section, such application for membership may be accepted by a vote of the members at such meeting. The Secretary shall give any such applicant at least ten (10) days prior notice of the date of the members' meeting to which his application will be submitted and such applicant may be present and hear at the meeting.

A husband and wife may jointly become a member and their application for a joint membership may be accepted in accordance with the foregoing provisions of the section, provided the husband and wife comply jointly with the provisions of the above subdivisions (a), (b), and (c).

Section 2. Membership Fees The membership fee shall be \$5.00, the payment of which shall make the member eligible for one (1) service connection.

Section 3. Purchase of Electric Energy Each member shall, as soon as electric energy shall be available, purchase from the corporation all electric energy purchased for the use on the premises specified in his application for membership, and shall pay therefore monthly at rates which shall from time to time be fixed by the board of

directors, provided, however, that the board of directors may limit the amount of electric energy which the corporation shall be required to furnish to any one member. Production or use of electric energy on the member's premises, regardless of the source thereof, by means of facilities which shall be interconnected with cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the cooperative. It is expressly understood that amounts paid for electric energy in excess of the costs 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 corporation such minimum amount per month regardless of the amount of electric energy consumed, as shall be fixed by the board of directors from time to time. Each member shall also pay all amounts owed by him to the corporation as and when the same shall become due and payable.

Section 4. Non-Liability for Debts of the Cooperative The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no member shall be individually liable or responsible for any debt or liability of the Cooperative.

Section 5. Expulsion of Members The board of directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the articles of incorporation of the Cooperative or these bylaws or any rules or regulations adopted from time to time by the board of directors. Any member so expelled may be reinstated as a member by a vote of the members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

Section 6. Withdrawal of Membership Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the board of directors may prescribe.

Section 7. Transfer and Termination of Membership

- (a) Membership in the Cooperative shall not be transferable, except as hereinafter otherwise provided, and upon the death, cessation of existence, expulsion or withdrawal of a member the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the Cooperative.
- (b) A membership may be transferred by a member to himself or herself and his or her spouse, as the case may be, jointly upon the written request of such member and compliance by such husband and wife jointly with the provisions of subdivision (b) and (c) of section I of this article. Such transfer shall be made and recorded on the books of the Cooperative.
- (c) When a membership is held jointly by a husband and wife, upon the death of either such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him

or her, as the case may be, and upon the recording of such death on the books of the Cooperative the membership may be transferred to and in the name of such survivor; provided, however, that the estate of the deceased shall not be release from any membership debts or liabilities to the Cooperative.

Section 8. Removal of Directors and Officers Any member may bring charges against any officer or director by filing them in writing with the Secretary, together with a petition signed by ten per centum (10%) of the members, requesting the removal of the director in question. The removal shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The director or officer against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have the opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity.

ARTICLE II

Meeting of the Members

Section 1. Annual Meeting The annual meeting of the members shall be held the first Wednesday of November, in the area served by said cooperative in the State of Idaho, as shall be designated in the notice of the meeting for the purpose of electing directors, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the board of directors shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the co-operative.

Section 2. Special Meetings Special meeting of the members may be called by at least (3) directors or upon a written request signed by at least ten per centum (10%) of all the members and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meeting of the members may be held at any place within the area served in the State of Idaho, specified in the notice of the special meeting.

Section 3. Notice of Member Meetings 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 be delivered not less that seven (7) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of

the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members, shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Quorum As long as the total number of members does not exceed one thousand (1,000), at least fifteen per centum (15%) of the total number present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members provided at least five per centum (5%) of the total number of members are present in person. In case the total number of members shall exceed one thousand (1,000) then at least one hundred fifty (150) of the members present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members. If the total number of members is one hundred (100) or less, a quorum for the purpose of the election of directors at annual meetings of the members shall consist of fifty-one per centum (51%) of the total number present in person or represented by proxy. If less than a quorum is present at any meeting, a majority of those present in person or represented by proxy may adjourn the meeting from time to time without further notice.

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. 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 proved by the law, the articles of incorporation of the Cooperative, or these bylaws. If a husband and wife 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.

The election of directors shall be by ballot on which each member voting shall write the names of as many persons as he desires to vote for but in no case more than the total number of directors to be elected, and in balloting for directors each member shall have the right cast one vote for each director to be elected either in person or by proxy, and the election of directors shall be by a majority of the members voting. The number of candidates equal to the number of directors to be elected from each district receiving the highest number of votes shall be elected for the term specified in Section 2 of Article III of these bylaws.

On the day of the meeting, electioneering is prohibited at or near the location of the Annual Meeting of the Members.

Section 6. Proxies At all meeting of members, a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary before or at the time of 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 or any adjournment of such meeting. No member shall vote as proxy for more than one (1) member 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 may revoke a proxy theretofore executed by him/her if such proxy has not been registered and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy.

Section 7. Order of Business. The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows:

1. Call of roll
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon, reports of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournments.

Section 8. Absentee Balloting. All members are encouraged and urged to attend the annual meeting so as to facilitate broader member participation. However, in the election process members will be allowed to vote by absentee ballot. The precise procedure for voting by absentee ballot shall be determined by the Board of Directors. Such procedures shall include:

- (a) A uniform form of application and method of applying for absentee ballot;
- (b) A list of candidates shall be provided to a requesting member, with pictures (as available), along with a brief biography of each candidate who is running for director;
- (c) The absentee ballot shall contain the names of all candidates for director on the Board whether nominated by committee or by petition;
- (d) A printed absentee ballot shall be provided containing a description of any proposal(s) or business which is known or proposed to be voted upon as of the date the mailing of the absentee ballot occurs;
- (e) An addressed envelope within which to return the ballot shall be provided;
- (f) A means of providing for the returned ballot to remain secret and confidential;
- (g) All mailed absentee ballots must be received at the Cooperative's office in Mackay, Idaho, by regular closing time on the day of the annual meeting of the members.
- (h) Absentee ballots may also be hand delivered to the registration table at the location of the annual meeting of the members prior to the commencement of the meeting.

- (i) The absentee ballot and/or proposals shall be sent to each member of record applying for same, within forty-eight (48) hours following receipt of the absentee application.

Section 9. Disputes. All disputes regarding voting, ballots, and related issues, shall be resolved by a majority vote of the election judges. The decision of the election judges, when certified to the board, shall be final, conclusive and binding upon all parties.

ARTICLE III

Directors

Section 1. General Power. The business and affairs of the co-operative shall be managed by a board of nine (9) directors which shall exercise all of the powers of the co-operative except such as are by law or by the articles of incorporation or by these Bylaws conferred upon or reserved to the members. The area served by the co-operative for the purpose of electing directors, etc., shall be divided into three districts, the boundaries and numbers of which shall be as follows;

District No. 1: All area South of the line North of Moore, Idaho, which is Boundary lines between Section 19, 20, 21, 22, 23, and 24, Sections 25, 26, 27, 28, 29, and 30 T. 5N, R. 26 E. B. M., Butte County, State of Idaho, But not including Antelope Valley.

District No. 2: From a line North of Moore, Idaho, which is Boundary line between Sections 19, 20, 21, 22, 23, and 24, Sections 25, 26, 27, 28, 29, and 30, T. 5N. R. 26 E. B. M., Butte County, State of Idaho, to the East Boundary of the Village of Mackay, extending diagonally across Sections 28, 32, 33, T. 7N. 24 E. B. M., and including Antelope Valley.

District No. 3: The East Boundary of the Village of Mackay extending diagonally across Section 28, 32, and 33, T. 7N. R. 24 E. and all lands North and West of that line.

Provided that all additional territory hereafter served by said co-operative shall be annexed to the most appropriate district by resolution of the board of directors and immediately upon same being energized. Each district to be designated upon a project map to be displayed in the co-operative office. Provided further, that the annexing of any territory to an existing district shall not effect the term for which any director has been elected.

Section 2. Qualifications and Tenure. The persons named as directors in the articles of incorporation of the co-operative shall compose the board of directors until the first annual meeting or until their successors have been elected and shall have qualified. At each annual meeting beginning with the year 1951, directors shall be elected by ballot by and from the members, three directors to be elected for the term of one year, and three

directors to be elected for the term of two years and three directors to be elected for the term of three years. Thereafter all directors shall be elected for a term of three years until their successors shall have been elected and shall be qualified, as, in these By-laws and the articles of incorporation provided. In case of vacancy created by other than the expiration of such a term, a successor shall be chosen to fill such vacancy, as herein provided, for the unexpired term, provided that at the 1952 annual meeting three directors shall be elected from each of said districts, one from each district to be for the term of one year, one for the term of two years and one for the term of three years, their respective tenures shall be determined by the highest number of votes in each district shall determine the three year member, the second highest the two year member, and the third highest the one year member. No member shall be eligible to become or remain a director who is not a bona fide resident and member in the district from which he is elected and which he represents, or who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the co-operative. When the membership is held jointly by a husband and wife, 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 Co-operative unless both shall meet the qualifications thereinabove set forth. Nothing in this section contained shall, or shall be construed to, affect in any manner whatsoever the validity of any action at any meeting of the board of directors. If a director shall be absent, except for reasons of ill health or absence from the country, from two (2) consecutive meetings or three (3) meetings with in any calendar year of the board of directors, including regularly scheduled meetings and special meetings duly called and noticed, the board of directors may in its discretion declare the office of such director vacated by reason of neglect, and a successor shall be appointed as provided in these bylaws.

Section 3. Nominations. Each candidate for a position as a Director of the Cooperative shall file a nominating petition and declaration of candidacy with the Secretary at least sixty (60) days prior to the Annual Meeting of the Cooperative. The petition shall be signed by not less than fifteen (15) members of the Cooperative on a form provided by the Board of Directors. In the event that no petition or petitions are received, the Board of Directors shall nominate a candidate or candidates for the position on the Board of Directors to be voted upon at the annual meeting of the members. Nothing contained herein shall, however, prevent additional nominations to be made from the floor at the meeting of the members.

Section 4. Vacancies. Subject to the provisions of these bylaws with respect to the removal of directors, vacancies occurring in the board of directors shall be filled by a majority vote of the remaining directors and directors thus elected shall serve until the next annual meeting of the members or until their successors shall be have been elected and shall have qualified.

Section 5. Compensation. Board members shall not receive any salary for their services as such, except that the board members shall receive a fair and reasonable sum for each day or portions thereof spent on Cooperative business such as attendance at

meetings, conferences, and training programs or performing committee assignments when authorized by the Board, and the Cooperative may also provide benefits for board members, other than insurance. Insurance may, however, be purchased by Board of Directors through the Cooperative group plan at their own expense. From time to time the Board shall appoint a representative group of the members, as an ad hoc committee, to review the per diems, allowance, compensation, other benefits, and reimbursements that shall be allowed to the officers and directors. The members of this committee shall be approved by a vote at the annual meeting of the members. This committee shall make its findings and recommendations to the Board. The Board shall have authority to: approve the recommendation; disapprove the recommendation and remain at the current level; or reduce the amount of the recommendation. If the Board shall fail to act upon the same within thirty (30) days, the recommendation shall become binding on the Board. If authorized by the Board, board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business, or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No board member, or officer, or close relative of any board member or officer shall receive any other compensation, benefit, etc., other than those recommended by the Membership Compensation Committee, unless the payment, or compensation, or benefit, shall be specifically authorized by a vote of the general membership, or the service by the board member of his/her close relative, shall have been certified by the Board as an emergency measure.

Section 6. Rules and Regulations. The board of directors shall have power to make and adopt such rules and regulations, not inconsistent with the law, the articles of incorporation of the Cooperative or these bylaws, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

Section 7. Accounting System and Reports. The board of directors shall cause to be established and maintained a complete accounting system which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Electrification Administration of the United States of America. All accounts of the Cooperative shall be examined by a committee of the board of directors which shall render reports to the board of directors at least four times a year at regular meetings of the board of directors. The board of directors shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the following annual meeting.

Section 8. Change in Rates. Written notice shall be given to the Administrator of the Rural Electrification Administration of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

Section 9. Directors Empowered to Promote Economic Development. The Board is empowered to promote economic development of the general areas in or near to

which the Cooperative serves. Such promotion may include, but shall not be limited to, (a) membership in or ownership of securities issued by other organizations engaged in such promotion, (b) expending, investment, lending or underwriting reasonable amounts of funds, and (c) acquisition, through purchase, lease, option or otherwise, of land and other properties for resale, lease or sublease to institutional, commercial and industrial enterprises or other entities.

ARTICLE IV

Meeting of Directors

Section 1. Regular Meetings. A regular meeting of the board of directors shall be held without notice other than this By-law, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the board of directors shall also be held monthly at such time and in the area in the state of Idaho served by said co-operative, as the board of directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meetings. Special meetings of the board of directors may be called by the president or any three (3) directors. The person or person authorized to call special meetings of the board of directors may fix the time and place (which shall be in the area served by the co-operative in the state of Idaho), for the holding of any special meeting of the board of directors called by them.

Section 3. Notice. Notice of the time, place and purpose of any special meeting of the board of directors shall be given at least five (5) days previous thereto, by written notice delivered personally or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

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

Section 5. Manner of Acting. 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 of directors.

ARTICLE V.

Officers

Section 1. Number. The officers of the Cooperative shall be a President, Vice-President, Secretary, Treasurer and such other officers as may be determined by the board of directors from time to time. The offices of Secretary and Treasurer may be held by the same person.

Section 2. Election and Term of Office. The officers shall be elected, by ballot, annually by and from the board of directors at the first meeting of the board of directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the board of directors following the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

Section 3. Removal. Any officer or agent elected or appointed by the board of directors may be removed by the board of directors whenever in its judgment the best interest of the Cooperative will be served thereby.

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

Section 5. President. The President:

- (a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the board of directors;
- (b) shall sign, with the Secretary's attestation, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of directors or by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed;
and
- (c) in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the board of directors from time to time.

Section 6. Vice-President. In the absence of the President, or in the event of his inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned to him by the board of directors.

Section 7. Secretary. The Secretary shall:

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

Section 8. Treasurer. The Treasurer shall:

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

Section 9. Manager. The board of directors may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties as the board of directors may from time to time require of him and shall have such authority as the board of directors may from time to time vest in him.

Section 10. Bonds of Officers. The board of directors shall require the treasurer or any other officer of the Cooperative charged with responsibility for the custody of any of its funds or property, to give bond in such sum with such surety as the board of directors shall determine. The board of directors in its discretion may also require any other officer, agent, or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

Section 11. Compensation. The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director, shall be determined by the

members, as provided elsewhere in these bylaws, and the power, duties and compensation of any other officers, agents, and employees shall be fixed by the board of directors.

Section 12. Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VI

Contracts, Checks, and Deposits

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

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

Section 3. Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the board of directors may select.

ARTICLE VII

Article VII Cancelled on November 5, 2014

ARTICLE VIII

Non-Profit Operation

Section 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a co-operative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Electric Energy and Other Products and Services. In the furnishing of electric energy and any other products and services, the Cooperative's operations shall be so conducted that all patrons will through their patronage, furnish capital for the Cooperative. In order to induce

patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy and any other products and services in excess of operating costs and expenses properly chargeable against the furnishing of electric energy and any other products and services. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to 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 Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his 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 Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as a part of capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the board of directors 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 retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, at the discretion of the board of directors with emphasis on capital first received by the Cooperative being first retired.

The Cooperative:

- Will not, without the approval of the majority of the members, pay or determine to pay any patronage refunds or any other cash distributions if the total Equity of the Cooperative would drop below 40% of its total assets and other debits.
- May make distribution to estates as long as the distribution does not exceed 25% of the patronage capital and margins received in the preceding year,
- May make any additional distributions as long as the total distributions in such year does not exceed 25% of the patronage capital and margins received in the preceding year,
- Will not make a distribution if there is unpaid any installment of principal or interest on the notes owed by the Cooperative, if they are in default, or if the total current and accrued assets of the Cooperative would be less than the total current and accrued liabilities,

- Will not pay a distribution of less than \$5.00 to the patron. Any amount less than \$5.00 shall be forfeited to the Cooperative.

For the purpose of this section, a “cash distribution” shall be deemed to include any general cancellation or abatement of charges for electric energy or other products or services furnished by the Cooperative, but not the repayment of a membership fee of not in excess of twenty-five (\$25.00) upon termination of a membership. As used or applied in this section (1) “Equity” shall mean the aggregate of equities and margins (as such terms are defined in the Uniform System of Accounts) and subordinated indebtedness; and (2) “subordinated indebtedness of the Cooperative payment of which shall be subordinated to the prior payment of the notes by subordination agreement in form and substance satisfactory to the majority noteholders.

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

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and By-laws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the By-laws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative’s office.

ARTICLE IX

Waiver of Notice

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

ARTICLE X

Disposition of Property

The Cooperative 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 of directors neither is nor will be necessary or useful in operating and maintaining the Cooperative’s system and facilities; provided, however, that all sales of such property shall not, in any (1) year exceed in value ten per centum (10%) of the value of all of the property of the Cooperative;
- (b) Services of all the property of the Cooperative;
- (c) Personal property acquired for resale, unless such sale, mortgage, lease, or other disposition or encumbrance is first authorized at a regular meeting or special meeting of the board of directors by the affirmative vote of at least three-fourths

(3/4) of the entire membership of the board of directors and is thereafter authorized at a regular or special meeting of the members of the Cooperative by the affirmative vote of at least two-thirds (2/3) of the members constituting a quorum; for the purposes of this article only, a quorum shall consist of not less than seventy-five per cent (75%) of the registered members, in good standing, of the Cooperative, all of whom must be personally present at such meeting; and the notice to such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the board of directors, 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 to obtain financing from any non-profit organization or cooperative organized for the purpose of furnishing supplemental financing to REA cooperative, and in connection with such borrowing to authorize the making and issuance of bonds, notes, deeds of trust, 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 the pledging or encumbrancing of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the board of directors shall determine.

ARTICLE XI

Fiscal Year

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

ARTICLE XII

Membership in Other Organizations

The Co-operative shall not become a member of any other organization without an affirmative vote of the members at a meeting called and provided in these By-laws, and the notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business, provided, however, that the directors shall have full power and authority on behalf of the cooperative to purchase stock in or to become member of, any cooperative, firm, association, corporation, entity, body politic, or subdivision thereof, organized on a profit or non-profit basis for the purpose of engaging in rural electrification, or for the selling to Members of other products and services; and

the directors may form subsidiary corporations and other entities for profit or non-profit, or the advancement, promotion or financing thereof.

ARTICLE XIII

Seal

The corporate seal of the Cooperative shall be in the form of a circle and should have inscribed thereon the name of the Cooperative and the words “Corporate Seal, Idaho”.

ARTICLE XIV

Amendments

These By-laws may be altered, amended or repealed by the affirmative vote of a majority of the total number of the members voting at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

ARTICLE XV

INDEMNIFICATION AND LIABILITY INSURANCE

Section 1. Indemnification.

- (a) The Cooperative shall indemnify any person who was or is a party or is threatened with being made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including all appeals (other than an action, suit or proceeding by or in the right of the Cooperative), by reason of the fact that he/she is or was a director, officer or employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees), judgments, decrees, fines, penalties and amounts paid in settlement actually and reasonably incurred by him/her in connection with such action, suit or proceeding if he/she acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interests of the Cooperative, and with respect to any criminal action or proceeding, and no reasonable cause to believe his/her 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 did not act in good faith and in a manner which he/she reasonably believed to be in or not

opposed to the best interest of the Cooperative, and, with respect to any criminal action, suit or proceeding, that he/she had reasonable cause to believe that his/her conduct was unlawful.

- (b) The Cooperative shall indemnify any person who was or is a party or is threatened with being made a party to any threatened, pending or completed action, suit or proceeding, including all appeals, by or in the right of the Cooperative to procure a judgment in its favor by reason of the fact that he/she is or was a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him/her in connection with the defense or settlement of such action or suit if he/she acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interest of the Cooperative and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his/her duty to the Cooperative unless and only to the extent that the court or body in or before which such action, suit or proceeding was finally determined, or any court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses or other amounts paid which such court shall deem proper.
- (c) 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 subsections (a) or (b) hereof, or in defense of any claim, issue or matter therein, he/she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him/her in connection therewith.
- (d) Any indemnification under subsection (a) or (b) of the section (unless ordered by a court) 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 he/she has met the applicable standard of conduct set forth in subsections (a) or (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the member.
- (e) Expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit or proceeding shall be paid by the cooperative in advance of the final disposition of such action, suit or proceeding upon receipt to an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he/she is not entitled to be indemnified by the Cooperative as authorized in this section.
- (f) The indemnification and advancement of expenses provided by, or granted pursuant to the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of

expenses may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

- (g) The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him/her and incurred by him/her in any such capacity, or arising out of his/her status as such, whether or not the Cooperative would have the power to indemnify him/her against such liability under the provisions of this section.
- (h) For the purposes of this Article, the term “cooperative” or “corporation” includes, in addition to Lost River Electric Cooperative, Inc., all constituent cooperatives and corporations and their predecessors absorbed in a consolidation or merger, which, if separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, or agents.
- (i) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, and personal representatives of such a person.
- (j) The provisions of this Article shall apply to all directors, officers, employees and agents of the Cooperative unless otherwise designated at any time by the Board or Directors.
- (k) If any part of this Article shall be found, in any action, suit or proceeding, to be invalid or ineffective, the validity and the effect of the remaining parts shall not be affected.