

# Kootenai Electric Cooperative, Inc. Articles of Incorporation & Bylaws



# Articles of Incorporation

Kootenai Electric Cooperative, Inc.

As Amended March 28, 1998

KNOW ALL MEN BY THESE PRESENTS: That we, the undersigned, being natural persons of full age and citizens of the United States and of the State of Idaho, for the purpose of forming a non-profit cooperative association pursuant to the provisions of Chapter 10 of Title 29, Idaho Code, Annotated, 1932, and all laws amendatory thereof and supplemental thereto, do hereby certify as follows:

## ARTICLE I

The name of the cooperative is KOOTENAI ELECTRIC COOPERATIVE, INC.

## ARTICLE II

The purpose or purposes for which the Cooperative is formed are:

- a. To generate, manufacture, purchase (including purchase of co-generated power under the Public Utilities Regulatory Policy Act and regulations promulgated thereunder), acquire and accumulate electric energy for its members, and to transmit, distribute, furnish, sell and dispose of such electric energy to its members, and to transmit or wheel electric energy for others, and to construct, erect, purchase, lease as lessee and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease as lessor, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment and electric transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any or all of the foregoing purposes;
- b. To purchase, acquire and accumulate telecommunications programming, de-scrambling equipment, receiving and transmitting equipment and to transmit, distribute, furnish, sell, lease and dispose of such telecommunications equipment and service for the benefit of its members, and to construct, erect, purchase, lease as lessee and in any manner acquire, own, hold, maintain, operate, sell dispose of, lease as lessor, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment and telecommunications systems necessary, convenient or useful for carrying out and accomplishing any or all of the foregoing purposes;
- c. To acquire, own, hold, use, exercise and, to the extent permitted by law, to sell, mortgage, pledge, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful or appropriated to accomplish any or all of the purposes of the Cooperative;
- d. To purchase, receive, lease as lessee, or in any other manner to acquire, own, hold, maintain, use, convey, sell, lease as lessor, exchange, mortgage, pledge, or otherwise dispose of any and all real and personal property or any interest therein necessary, useful or appropriate to enable the Cooperative to accomplish any or all of its purposes;
- e. To assist its members to wire their premises and install therein electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character (including, without limiting the generality of the foregoing, such as are applicable to water supply and sewage disposal) and, in connection therewith and for such purposes, to purchase, acquire, lease, sell distribute, install and repair electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character (including, without limiting the generality of the foregoing, such as are applicable to water supply and sewage disposal) and to receive, acquire, endorse, pledge, guarantee, hypothecate, transfer or otherwise dispose of notes and other evidence of indebtedness and security therefore;
- f. To borrow money, to make and issue bonds, notes and other evidences of indebtedness, secured, for moneys borrowed or in payment for property acquired, or for any of the other objects or purposes of the Cooperative and to secure the payment of such bonds, notes or other evidences of indebtedness by mortgage or mortgages, or deeds or deeds of trust upon, or by the pledge of other lien upon, all or any of the property, rights, privileges, or permits of the Cooperative, wheresoever situated, acquired or to be acquired;
- g. To borrow money and make loans or investments pursuant to the provisions of the Rural Development Act and the regulations promulgated by the Rural Electrification Administration;
- h. To purchase, acquire and accumulate property and equipment to receive, distribute, furnish, sell, lease and dispose of the following products and services for the benefit of its members: water, waste water, Internet, natural gas, propane, alternative energy, power quality, power marketing, electric shaping, telephone, consumer financing, billing, metering and computer; and to construct, erect, purchase, lease as lessee and in any manner acquire, own, hold, maintain, oper-

- ate, sell, dispose of, lease as lessor, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment and systems necessary or useful for carrying out and accomplishing any or all of the foregoing purposes;
- i. To do and perform, either for itself or for its members, any and all acts and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes or as may be permitted by the Act under which the Cooperative is formed in the State of Idaho and in any other state of the United States of America. The Cooperative shall render no services to or for the public, provided, however, the Cooperative may create, promote or participate in charitable, philanthropic or public purpose causes, events or programs which are of benefit to the persons within the counties which are in whole or in part located within the Cooperative's service territory.

### ARTICLE III

The Cooperative shall have perpetual existence. The management of the affairs of the Cooperative will be vested in the board of directors which will be as provided in the bylaws.

### ARTICLE IV

The location of the registered office of the Cooperative shall be within the County of Kootenai, in the State of Idaho and located at the discretion of the board of directors.

### ARTICLE V

**Section 1.** The Cooperative is formed not for profit and shall have no capital stock.

**Section 2.** Members who are currently purchasing electric service from the Cooperative shall be considered active members and shall be entitled to vote at all regular and special membership meetings. Members who are not purchasing electric service shall be considered inactive members and will not be entitled to a vote.

**Section 3.** Each active membership shall be entitled to one (1) vote and no more upon any matter submitted to a vote at a meeting of the members and at all meetings of the members at which a quorum is present.

**Section 4.** The bylaws of the Cooperative may define and fix the duties and responsibilities of the members and prescribe such other terms and conditions upon which members shall be admitted to and retain membership in the Cooperative not inconsistent with these Articles of Incorporation or in the Act under which the Cooperative is organized.

### ARTICLE VI

The names and post office addresses of the incorporators are as follows:

Jesse Vetter, Coeur d'Alene, ID

A.H. Knudson, Coeur d'Alene, ID

Jerry Rickel, Athol, ID

K.M. West, Medimont, ID

Fred Fitzsimmons, 1215 Sherman, Coeur d'Alene, ID

Edward Meyer, Rathdrum, ID

Fritz Magnuson, Worley, ID

### ARTICLE VII

**Section 1.** The private property of the members of the Cooperative shall not be subject to the payment of, and no member shall be individually responsible for, corporate debts to any extent whatsoever and the Cooperative shall not make any assessment against any member of the Cooperative without his or its consent thereto in writing; provided, however, that nothing herein contained shall release a member from his or its debts or liabilities to the Cooperative for electric service used by such member or for goods purchased from the Cooperative.

### ARTICLE VIII

The cooperative may amend, alter, change or repeal any provision contained in these Articles of Incorporation upon a resolution duly adopted by the board of directors, followed by the affirmative vote of two-thirds of the total number of the active members present in person or by proxy, or by a majority of the voting power of the Cooperative, whichever is less, at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

# Bylaws

## Kootenai Electric Cooperative, Inc. As Amended March 20, 2010

### ARTICLE I: MEMBERS

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

- a. Agreeing to purchase from the Cooperative electric service as hereinafter specified; and
- b. Agreeing to comply with and be bound by the Articles of Incorporation and these bylaws and any amendments thereto, written policies, procedures, resolutions and such rules and regulations as may from time to time be adopted by the board of directors.

No person, firm, corporation or body politic may own more than one membership in the Cooperative.

Any two natural adult persons, living together, drawing electric service from the same meter may jointly become a member and their application for a joint membership may be accepted in accordance with the foregoing provisions of this section, provided they comply jointly with the provisions of the above subdivisions (a), (b) and (c).

Each member shall allow the Cooperative's employees and agents access to the Cooperative's facilities located on the member's real property for the purpose of installation, inspection, maintenance and meter reading. Each member shall also allow the Cooperative's employees and agents access for the purpose of inspecting and monitoring the member's electric facilities, including meter boxes and breaker panels, wiring and connections, provided the member's facilities and equipment are readily accessible from the exterior of the member's buildings, and provided further that such inspection and monitoring does not require digging or damaging the member's property.

**Section 2. Purchase of Electric Service.** Each member shall, as soon as electric service shall be available, purchase from the Cooperative all central station electric service used by such member, the rates which from time to time shall be fixed therefore by resolution of the board of directors. Each member shall also pay all obligations which may from time to time become due and payable by such member to the Cooperative as and when the same shall become due and payable.

**Section 3. Expulsion of Members.** The board of directors of the Cooperative may, by affirmative vote of not less than two-thirds 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. Prior to expulsion, (1) the Cooperative shall send written notice of proposed expulsion by first class or certified mail to the member, addressed to the last address of the member shown on the Cooperative's records not less than 15 days prior to the date set for expulsion; (2) the notice shall contain the reasons for expulsion and (3) the member shall have an opportunity to be heard, orally or in writing, not less than 5 days before the effective date of expulsion. Any member so expelled may be reinstated as a member by a two-thirds vote of the board of directors or by vote of the members at any annual meeting or special meeting of the members. The action of the members with respect to any such reinstatement shall be final. Expulsion shall not relieve a member from any obligations the member may have to the Cooperative as result of obligations incurred or commitments made prior to expulsion.

**Section 4. Resignation by Member.** A member may resign at any time by giving a signed, written notice to the Cooperative. The resignation of a member does not relieve the member from any obligations the member may have to the Cooperative as a result of obligations incurred or commitments made prior to resignation.

**Section 5. Transfer and Termination of Membership.** Membership in the Cooperative shall not be transferable, except as hereinafter provided, and upon the death, cessation of existence, expulsion or withdrawal of a member,

the membership of such member shall thereupon terminate. The individuals who constitute a joint membership shall remain severally liable for the debts and liabilities of the joint membership to the Cooperative.

A membership may be transferred by a member to himself or herself and another adult natural person, living together, drawing electric service from the same meter, as the case may be, jointly upon the written request of such member and such compliance by both jointly with the provisions of subdivisions (b) and (c) of Section 1 of this article. Such transfer shall be made and recorded on the books of the Cooperative.

When a membership is held jointly, upon the death of either, such membership shall be deemed held solely by the survivor with the same effect as though such membership had been originally issued solely to the survivor provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

## **ARTICLE II: MEETING OF MEMBERS**

**Section 1. Annual Meeting.** The board of directors shall be authorized to call the annual meeting of members at any time during the months of March, April, May or June each year, beginning with the year 2011, at a place designated by the board of directors, within the County of Kootenai, State of Idaho.

**Section 2. Special Meetings.** Special meetings of the members may be called:

- a. By the president of the Cooperative;
- b. By at least three directors; or
- c. By delivery to the secretary of the Cooperative a written request signed by at least 10 percent of all of the active members.
  1. The written request for the meeting, signed by the members, shall describe the purpose or purposes for which the special meeting is to be held
  2. The close of business on the 30th day before delivery of the request for a special meeting to the secretary of the Cooperative is the record date for the purpose of determining whether the 10 percent requirement has been met.
  3. Once the request has been presented to the secretary of the Cooperative, notice of the special meeting shall be given within 30 days.

The notice of the special meeting shall contain a description of the purpose or purposes for which the meeting is called, and only those matters which are described in the notice may be acted upon by the members at the meeting, unless one-third or more of the voting power of the Cooperative is present in person or by mail ballot. Special meetings of the members may be held at any place within the County of Kootenai, in the State of Idaho, specified in the notice of the special meeting.

**Section 3. Notice of Members' Meeting.** Written or printed notice stating the place, day and hour of the meeting, and in the case of a special meeting, the purpose for which the meeting is called, shall be delivered not less than 10 days (or if notice is mailed by other than first-class mail, not less than 30 days) nor more than 50 days before the date of the meeting, either personally or by mail, by or at the direction of the president, or the secretary, or by the officers or the persons calling the meeting, to each active 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 meeting or a special meeting of the members shall not invalidate any action which may be taken by the members present at any such meeting.

If a written request from persons entitled to call a special meeting is received by the secretary or president of the Cooperative at least 10 days before the Cooperative gives notice of an annual or a special meeting, the notice shall state those matters a member intends to raise at the meeting.

Notice of an annual meeting shall include a description of any of the following matters which are required to be submitted to the members for approval by law: (a) director conflict of interest; (b) indemnification of an officer, director, employee or agent of the Cooperative; (c) amendment of the Articles of Incorporation; (d) amendment of the bylaws; (e) merger; (f) sale of assets other than in the regular course of activities; or (g) dissolution of the Cooperative.

Unless one-third or more of the voting power of the Cooperative is present in person or by mail ballot, the only matters which may be acted upon at a members' meeting are those matters which are described in the notice of the meeting or in the written agenda which accompanies the notice of meeting.

**Section 4. Quorum.** One hundred fifty (150) of the active members present in person or by mail ballot shall constitute a quorum for the transaction of business at all meetings of the members. In the event of a proposed sale, merger, dissolution or consolidation, a quorum of 50 percent of the active members, present in person or by mail ballot, shall be required.

**Section 5. Voting.** Members who are currently purchasing electric service from the Cooperative shall be considered active members and shall be entitled to vote in person or by mail ballot at all regular and special membership meetings. Members who are not purchasing electric service shall be considered inactive members and will not be entitled to a vote.

Each active membership shall be entitled to one vote and no more upon any matter submitted to a vote at a meeting of the members. In the event more than two candidates are seeking election to a position on the board of directors, a runoff vote of the two candidates receiving the largest number of votes shall be conducted if no candidate received a majority. If a runoff vote is necessary, at the discretion of the board of directors, the runoff vote may be conducted at a meeting of the members in which the members may vote in person or by mail ballot, or such vote may be conducted entirely by mail ballot as provided in Article II, Section 10 of these bylaws. At all meetings of members at which a quorum is present, all questions shall be decided by a vote of the majority of the members present in person or by mail ballot and voting thereon except as otherwise provided by law, the Articles of Incorporation of the Cooperative or these bylaws. A joint membership shall be entitled to one vote and no more upon any matter submitted to a vote at a meeting of the members. Fractional voting is prohibited. The first joint member who (1) requests a ballot or (2) executes and files with the Cooperative a mail ballot shall be the member entitled to vote in person or by mail ballot on behalf of a joint membership. Mail ballot voting shall be permitted. Cumulative voting shall be prohibited.

**Section 6. Order of Business.** The order of business at the annual meeting of members, and so far as possible at all other meetings of the members, shall be essentially as follows:

1. Call to Order.
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. Determination of quorum.
4. Reading of unapproved minutes of previous meetings of the members and taking of necessary action thereon.
5. Presentation and consideration of and action upon reports of officers, directors and committees.
6. Election of directors.
7. Member comments or questions.
8. Adjournment.

**Section 7. Parliamentary Procedure.** Parliamentary procedure at all meetings of the members and of any committee provided for in these bylaws shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or bylaws.

**Section 8. Credentials and Elections Committee.** The board of directors shall, prior to any annual or special meeting of the members, appoint a Credentials and Elections Committee consisting of an uneven number of members, not less than 5, nor more than 9, who are not existing directors, or known candidates for directors to be elected at such meeting and who are not close relatives or members of the same household of existing directors or known candidates. In appointing the committee, the board shall have regard for equitable representation of the several areas served by the Cooperative. It shall be the responsibility of the committee to pass upon all questions that may arise with respect to the registration of members, the validity of mail ballots, to count all ballots cast in the election or any other ballot vote taken and to rule upon the effect of any ballots irregularly marked.

In the event a protest or objection is filed concerning any election, such protest or objection must be filed within 5 business days following the adjournment of the meeting in which the election is conducted, or in the event of a runoff election for director where no meeting is held, within 10 business days after the President of the Cooperative has announced the winner of the runoff election. The Committee shall thereupon be reconvened, upon notice from its chairperson, not less than 7 days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protestor(s) or objector(s) who may be heard in person, by counsel, or both; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not less than 30 days after such hearing, render its report and recommendation to the board of directors to affirm or change the result of the election or to set aside such election. The board of directors shall, after considering the report and recommendation of the Committee, and conducting such review as it deems appropriate, certify the results of the election or, if, after reviewing all relevant documents and information the board of directors is unable to certify the results of the election, call a new election.

**Section 9. “Close Relative” Defined.** As used in these bylaws, “close relative” means a person who, by blood or law, including half, foster, step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, first cousin, nephew or niece of the principal.

**Section 10. Action Without a Meeting.** The members shall take no action by petition, written consent, or otherwise, but shall act only by vote in person or by mail ballot at an annual or special meeting, except that when there is a runoff vote in an election for the board of directors, as provided in Article II, Section 5 of these bylaws, such runoff vote may be conducted entirely by mail ballot without a meeting. If a runoff vote is conducted entirely by mail ballot, only those members who voted in person or by mail ballot at the meeting for the election of directors shall be entitled to vote.

**Section 11. Record Dates.** The records of the Cooperative on the record dates shall be conclusive of who is an active member entitled to notice of a members’ meeting and who is entitled to vote at such meeting. Each year, the board of directors shall set a record date for determining which active members are entitled to notice of a members’ meeting and the notice of meeting shall be sent within 5 days of the notice record date. The voting record date for determining which active members are entitled to vote at a meeting is the date which is 1 day prior to the date set for the meeting.

**Section 12. Members’ List for Meeting.** On the record date for a notice of a members’ meeting, the Cooperative shall prepare an alphabetical list of the names and addresses of all of the members who are entitled to notice of the meeting. The Cooperative shall amend the members’ list up through the time of the membership meeting of those members who are entitled to vote at the meeting. The list of active members shall be available for inspection by any active member for the purpose of communication with other members concerning the meeting beginning two business days after notice is given of the meeting, and such list shall continue to be made available through the meeting at the Cooperative’s principal office or at a reasonable place identified in the meeting notice. An active member, his agent or attorney, is entitled on written demand, to inspect and, subject to limitations provided by law, to copy the list, at a reasonable time and at the member’s expense, during the period it is available for inspection. The Cooperative shall make the list of members available at the meeting and any time during the meeting or any adjournment.

## ARTICLE III: DIRECTORS

**Section I. General Powers.** The business and affairs of the Cooperative shall be managed by a board of 7 directors, 1 from each district and 2 at-large, who shall exercise all of the powers of the Cooperative, except such as are by law or by the Articles of Incorporation of the Cooperative or by these bylaws conferred upon or reserved to the members.

The district boundaries shall be as follows:

- District 1: That part of the system north of the Rathdrum Highway (Highway 53).
- District 2: That part of the system south of the Rathdrum Highway (Highway 53) and north of the Spokane River, to the west (of Lake Coeur d'Alene) and U.S. Highway 10 (redesignated I-90) to the east (of Lake Coeur d'Alene).
- District 3: That part of the system south of the Spokane River and north of Setters on the west side of Lake Coeur d'Alene.
- District 4: That part of the system south of Setters and west of Lake Coeur d'Alene.
- District 5: That part of the system east of Lake Coeur d'Alene and south of U.S. Highway 10 (redesignated I-90).
- District at-Large: Encompassing the entire service area of the cooperative.

**Section 2. Qualifications and Tenure.** Except to the extent provided elsewhere in these bylaws, directors shall be elected at the annual meeting of the members. Any natural person may become and remain a director if that person is:

1. An active member;
2. A bona fide resident of and domiciled in the district for which that person is elected to serve, provided that a person who is a candidate for or who holds a director at-large position, need not be a resident of and domiciled in the Cooperative's service territory;
3. Not a close relative of an employee or director of the Cooperative;
4. Not in any way employed or financially interested in a competing enterprise or a business selling electrical energy or supplies to the Cooperative, or a business primarily engaged in supplying electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative;
5. Not a joint member with a person who is a director of the Cooperative; and
6. Not a convicted felon and not convicted of a crime of moral turpitude by a court of this or any other state or by a court of the United States of America.
7. Not an employee, or close relative of an employee, of the Cooperative on, or for 4 years prior to, the date the director would take office.

If a director has been elected and qualified and thereafter fails to comply with any of the foregoing requirements, then that person shall no longer be qualified to serve as director and a vacancy shall be declared by the board of directors and filled as provided by these bylaws. Nothing contained in this section shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the board of directors.

**Section 3. Nominations.** It shall be the duty of the board of directors to appoint 7 members to the standing committee on nominations. Such appointments shall be made at the third regular board meeting following the annual meeting. Appointees to the standing committee on nominations shall serve a term of 1 calendar year. Standing committee on nominations members shall be selected so as to give equitable representation on the committee to the geographical areas served or to be served by the Cooperative. No officer or member of the board of directors shall be appointed a member of such committee. The committee shall prepare and post at the principal office of the Cooperative, at least 45 days before the annual meeting, a list of nominations for directors. Fifteen or more members of the Cooperative may nominate in writing over their signatures, a candidate from a district, provided that all of said persons so nominated are residents of and domiciled in that district, and the nominee is a resident of and domiciled in that district, which petitions must be filed with the secretary of the Cooperative not less than 30 days prior to the annual meeting. Fifteen or more members of the Cooperative may nominate in writing over their

signatures, a candidate for director-at-large, which petitions must be filed with the secretary of the Cooperative not less than 30 days prior to the annual meeting. Nominations made by petition must be received by the Cooperative at least 30 days before the meeting, and, if validated, shall be included on the official ballot.

The secretary shall mail with the notice of the meeting a statement of the number of directors to be elected and showing separately the nominations made by the committee on nominations, and the nominations made by petition, if any. All nominees shall have agreed to serve as a director of the Cooperative. At any meeting at which a director or directors are removed as hereinafter provided, the vacancies created on the board of directors shall be filled as prescribed in Article III, Section 6, of these bylaws, except in the event that if all of the directors are removed at a special meeting of the members, then new directors shall be nominated as provided herein and a special meeting of the members shall be called to vote on the candidates so nominated.

**Section 4. Terms of Office.** At each annual election only the successors for the directors whose terms are expiring shall be elected and shall hold office for the terms of 3 years or until their successors are elected and qualified. A director may not serve more than 7 consecutive 3-year terms. Provided, however, a person (1) who is director of the Cooperative on March 26, 1994, and (2) who has or will have served as a director for 4 or more consecutive terms when their term ends after March 26, 1994, may serve as a director for an additional consecutive 3-year term if elected or appointed. After a person who is precluded from serving as a director by this Section 4 has not been a director for at least 3 years, that person may again be elected or appointed as a director.

**Section 5. Removal of Directors and Officers.** The members by majority vote at a meeting of the members may remove one or more directors elected by them without cause. The notice of members' meeting for the meeting at which action is taken shall state that a purpose of the meeting is to remove a director or directors and name such director or directors. Any vacancy created by removal shall be filled as set forth in Article III, Section 6 of these bylaws.

If a director is absent from 3 board of director meetings or special board meetings within a 6-month period without being excused by the board of directors, that director may be removed by a majority vote of the board of directors. If the board of directors does remove a director, the vacancy shall be filled as provided in Article III, Section 6 of these bylaws.

**Section 6. 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. At such annual meeting, a member shall be elected to serve the remaining term of the director who has vacated office.

**Section 7. Compensation.** The board of directors may fix the compensation, fees, insurance or benefits, if any, of the directors. Except in emergencies, no director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless such compensation shall be specifically authorized by vote of the members.

**Section 8. Duties.**

- a. Rules and Regulations. The board of directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation of the Cooperative and these bylaws as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.
- b. Accounting Systems and Reports. The board of directors shall cause to be established and maintained, a complete accounting system which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the administrator of the Rural Utilities Service of the United States of America. The board of directors may delegate the following duties to the general manager, who shall ensure that the employees of the Cooperative perform them in a competent manner: (1) Properly account for, maintain and invest all funds and securities

of the Cooperative. (2) Receive and give receipts for monies paid to the Cooperative and deposit all monies received in the name of the Cooperative in such bank or banks as have been selected and approved by the Cooperative's board of directors. (3) Disburse funds (via check or wire transfer) to pay for operating expenses and capital improvements in the normal and ordinary course of business. (4) Cause the financial transactions of the Cooperative to be properly reflected in the accounts, and to render reports to the board of directors at 4 times a year at regular meetings of the board of directors the results of operations, balances and other filings rendered on behalf of the Cooperative.

The officers of the board of directors shall appoint an audit committee, to consist of not less than 3 board members, to review the accounts of the Cooperative, the systems of account accumulation and internal controls, and the resulting reporting for member, governmental, regulatory, and borrowing purposes. The committee will report to the full board of directors, at least annually, on the adequacy of the accounting systems and accuracy of the reporting. The committee 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 full board of directors and then to the members at the following annual meeting.

- c. **Change in Rates.** Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America as may be required by law or by contract prior to the date upon which any proposed change in the rates charged by the Cooperative for electric service becomes effective.

**Section 9. Member Advisory Committee.** A Member Advisory Committee may be established by the board of directors consistent with the following conditions:

- a. **Purpose:** to assist the board of directors by reviewing issues of concern to the members of Kootenai Electric Cooperative, Inc., and making recommendations to the board on those issues.
- b. **Qualifications:** a member of the Member Advisory Committee must be a member of and currently receiving electric service from Kootenai Electric Cooperative, Inc.
- c. **Meetings:** the board of directors shall set the meeting times, dates and places.
- d. **Attendance:** committee members missing 3 or more committee meetings may be removed from the committee by action of the board of directors.
- e. **Number:** the committee shall be limited to 20 members.

**Section 10. Emergency Powers.** In the event that a quorum of the Cooperative's directors cannot be readily assembled because of a catastrophic event, the available board members of the board of directors shall have the authority to adopt, amend or repeal bylaws to be effective only during the time of such emergency, and have such other powers during the emergency, as are provided by law.

#### **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 bylaw immediately after, and at the same place as the annual meeting of the members. A regular meeting of the board of directors shall also be held monthly at such time and place in Kootenai County, Idaho, as the board of directors may provide by such resolution. Such regular monthly meetings may be held without notice other than by 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 3 directors. The person or persons authorized to call special meetings of the board of directors may fix the time and place for the holding of any special meeting of the board of directors called by them. Such meetings may be held by conference telephone calls or similar communications equipment by means of which all directors can hear each other.

**Section 3. Notice.** Notice of time, place and purpose of any special meeting of the board of directors shall be

given at least 2 days prior thereto, by oral or written notice to each director. Notice, as defined by law, is effective when given in a comprehensible manner, including:

- a. Oral notice, which is effective when communicated;
- b. Written notice, which is effective at the earliest of the following:
  1. When received;
  2. 5 days after its deposit in the United States mail, as evidenced by sworn affidavit or post mark, if mailed correctly addressed and with first class postage affixed;
  3. On the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee.

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.

Any action which may be taken at a meeting of the board of directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors. Such consent shall have the same effect as a unanimous vote.

## **ARTICLE V: OFFICERS**

**Section 1. Designated Officers.** The officers of the Cooperative shall be a president, vice president, secretary, and treasurer.

**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 at any time with or without cause.

**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 shall:

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

**Section 6. Vice President.** In the absence of the president, or in the event of his/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 and shall perform other duties as from time to time may be assigned to him by the board of directors.

**Section 7. Secretary.** The secretary shall sign corporate instruments, including deeds, mortgages, deeds of trust, notes and contracts, as well as certify copies of the minutes of the meetings of the members and of the board of directors. The secretary shall have such other duties as may from time to time be assigned to the secretary by the board of directors. The board of directors may delegate the following duties to the general manager, who shall ensure that they are performed in a competent manner by the employees of the Cooperative:

- a. Minutes shall be made of the meetings of the members and of the board of directors and such minutes shall be kept at the Cooperative's headquarters building.
- b. All notices required by the bylaws or by law shall be timely given.
- c. The corporate seal and records of the Cooperative shall be appropriately safeguarded and stored at the Cooperative's headquarters building.
- d. A register of the name and post office address of each member shall be kept at the Cooperative's headquarters building.
- e. A complete copy of the Cooperative's bylaws, including all amendments thereto as have been properly certified by a majority of the directors and the secretary, shall be kept available for the inspection of the members at the Cooperative's headquarters building.

**Section 8. Treasurer.** The treasurer shall serve as chairman of the audit committee. In the absence of the secretary, the treasurer may sign corporate instruments, including deeds, mortgages, deeds of trust, notes and contracts, and certify copies of the minutes of the meeting of the members and the board of directors.

**Section 9. Manager.** The board of directors may appoint a manager who may be, but 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. Bond of Officers.** The board of directors shall require the treasurer or any other officer of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the board of directors shall determine. The board of directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety, as it shall determine.

**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 powers, 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: INDEMNIFICATION AGAINST LIABILITY**

The Cooperative shall have the power to indemnify as provided by law, including indemnification of any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Cooperative. A person may be indemnified against all expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if the person acted in good faith and in a manner such person reasonably believed to be in or not

opposed to the best interest of the Cooperative and with any respect to any criminal action or proceeding, if such person had no reasonable cause to believe his or her conduct was unlawful. No indemnification shall be made in respect to 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 or her duty to the Cooperative unless and only to the extent that a court in which the action or suit was brought 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 indemnification which the court shall deem proper.

The determination of whether or not to indemnify, 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 such person has met the applicable standard of conduct as set forth herein and as provided by law in the Idaho Non-Profit Corporation Act. Such determination shall be made:

- a. By the board of directors by a majority vote of a quorum consisting of directors who are not parties to such action, suit or proceedings; or
- b. If such quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or
- c. By the members.

The rights accruing to any person under the foregoing provisions of the section shall not exclude any other right to which he may be lawfully entitled, nor shall anything herein contained restrict the right of the Cooperative to indemnify or reimburse such person in any proper case, even though not specifically herein provided for. The Cooperative, its directors, officers, employees and agents shall be fully protected in taking any action or making any payment under this section, or in refusing so to do, in reliance upon the advice of counsel.

## **ARTICLE VII: 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 or with such other suitable and acceptable financial investment mechanisms or institutions as the board of directors may determine are appropriate for the management and protection of the funds of the Cooperative.

## **ARTICLE VIII: REVENUES AND RECEIPTS**

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

**Section 2. Patronage Capital in Connection with Furnishing Electric Service.** In the furnishing of electric service, 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 service in excess of operating costs and expenses properly chargeable against the furnishing of electric service. 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. Expenses shall include payment in the amount of \$3.00 annual subscription price per membership for "PowerLines," a monthly publication of the Cooperative. 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 in 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.

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 prorated basis before any payments are made on account of property rights to 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. After March 21, 1987, the board of directors shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital.

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

Notwithstanding any other provisions of these bylaws, the board of directors, at its discretion, shall have the power at any time upon the death of any patron who was a natural person, if the legal representative of his estates 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 bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the board of directors, acting under policies of general application, and the legal representatives of such patrons' estate, shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

Except as provided herein, no patrons or former patrons of the Cooperative shall be entitled to any priority in the return of their patronage capital, merely because their membership in the Cooperative has terminated or they have otherwise ceased receiving service from the Cooperative.

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

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, together with interest thereon at the rate provided by law in effect when such amount became overdue. Such deduction shall be applied first to interest with any remainder to the balance owing.

**Section 3. Patronage Refunds in Connection with Furnishing Other Services.** In the event that the Cooperative should engage in the business of furnishing goods or services other than electric service, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to

those patrons from which such amounts were obtained.

#### **ARTICLE IX: WAIVER OF NOTICE**

Any member or director may waive, in writing, any notice of meeting 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 10 percent of the value of all property of the Cooperative;
- b. Services of all kinds, including electric energy; and
- c. Personal property acquired for resale.

A sale, lease or exchange of all, or substantially all, the property and assets of the Cooperative, may be made upon such terms and conditions and for such consideration, which may consist in whole or in part of money or property, real or personal, including shares of any Cooperative as may be authorized in the following manner:

The board of directors shall first cause 3 independent appraisers, expert in such matters, to render their opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange or other disposition and as to any other terms and conditions which should be considered.

The board of directors shall adopt a resolution recommending such sale, lease, or exchange, and directing the submission thereof to a vote at a meeting of members having voting rights, which may be either an annual or a special meeting. Written or printed notice stating that the purpose, or one of the purposes, of such meeting is to consider the sale, lease, or exchange of all, or substantially all, the property and assets of the Cooperative shall be given to each member entitled to vote at such meeting, within the time and in the manner provided for the giving of notice of meetings of members. At such meeting the member may in person or by mail ballot authorize such sale, lease, or exchange and may fix, or may authorize the board of directors to fix, any or all of the terms and conditions thereof and the consideration to be received by the Cooperative therefore, provided that such assets and property shall not be sold for less than their market value as determined by the board of directors after reviewing the appraisals received by them. Such authorization shall require at least a majority of the votes which members present at such meeting in person or by mail ballot are entitled to cast. After such authorization by vote of members, the board of directors, nevertheless, in its discretion, may abandon such sale, lease, or exchange of assets, subject to the rights of third parties under any contracts relating thereto, without further action or approval by members; 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, the National Rural Utilities Cooperative Finance Corporation, The Bank for Cooperatives, or other insured financial institution, 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 deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the board of directors shall determine.

The Cooperative, through action of the board of directors, may grant a right of first refusal to other rural electric cooperatives upon such terms and conditions as the board of directors determines is in the best interest of the Cooperative. In the event the Cooperative grants a right of first refusal to one or more rural electric cooperatives, prior to the sale, lease or exchange of all, or substantially all, the property and assets of the Cooperative, the contract to sell, lease or exchange shall first be offered to the rural electric cooperative on the same terms and conditions as the proposed sale, lease or exchange.

## **ARTICLE XI: MERGER OR CONSOLIDATION**

The Cooperative may merge or consolidate into a business corporation or a non-profit corporation if a plan of merger or consolidation is first approved:

- a. By the board of directors;
- b. By the members, provided that there is a two-thirds affirmative vote of the active members present in person or by mail ballot, or a majority of the voting power of the Cooperative, whichever is less, which vote is cast at an annual or special meeting of the members; and
- c. In writing by any entity or person whose approval is required by agreement, mortgage or by law. The notice of the members' meeting for the meeting at which the plan of merger or consolidation is considered shall state that a purpose of the meeting is to consider merger or consolidation and contain or be accompanied by a copy or summary of the plan of merger or consolidation.

## **ARTICLE XII: 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 XIII: MEMBERSHIP IN OTHER ORGANIZATIONS**

The Cooperative may become a member of an organization provided the board of directors determines that becoming a member is in the Cooperative's best interest.

## **ARTICLE XIV: SEAL**

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

## **ARTICLE XV: AMENDMENTS**

These bylaws may be altered, amended or repealed by the affirmative vote of a majority of the total number of the members present in person or by proxy at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

The undersigned, being a majority of the directors and the secretary of KOOTENAI ELECTRIC COOPERATIVE, INC., hereby certify that the foregoing is a complete copy of the bylaws of the Cooperative, including all amendments and alterations of the bylaws to March 20, 2010.

