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**BYLAWS  
LYON RURAL ELECTRIC COOPERATIVE**

**ARTICLE I.**

**MEMBERS**

Section 1. **Eligibility.** A natural person or entity which includes: firm, association, corporation, business trust, partnership, Federal Agency, State or political subdivision, and who has capacity to enter into legally binding contracts, shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by said member if the person or entity consumes, receives, purchases, or otherwise uses or requests to use when available electric service generated, transmitted, distributed, sold, supplied, furnished or otherwise provided by Lyon Rural Electric Cooperative. No person shall hold more than one membership in the cooperative.

Section 2. **Application for Membership; Renewal or Prior Application.** Each member shall make an Application for Membership on a form supplied by the cooperative wherein each Applicant shall agree to purchase electric power and energy from the cooperative and to be bound by and to comply with all of the other provisions of the Articles of Incorporation and Bylaws of the cooperative and all other rules, regulations and rate schedules established at any time by the cooperative. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by such supplemental contracts and documents as required, executed on such forms as provided by the cooperative. The Membership Application shall be accompanied by the membership fee provided for in Section 3, below, and such other service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the cooperative, which fees and deposits shall be refunded in the event that the Application is denied by the Board. Any former member of the cooperative may, by the sole act of paying a new membership fee and any outstanding account, plus accrued interest, with the cooperative, renew and reactivate any prior Application for Membership.

Section 2.5. **Membership Agreement.** A Member shall: (1) comply with the Governing Documents; (2) provide and maintain a current mailing address and telephone number with the Cooperative; and (3) pay the Cooperative for the Cooperative's damages, costs, or expenses, including attorney fees and legal expenses, caused by or associated with the Member's failure to comply with the Governing Documents. If a Member fails to comply with the Governing Documents, then, as provided in these Bylaws, the Cooperative may suspend or terminate the Member or a Cooperative Service Provided to the Member. Regardless of whether money damages are available or adequate, the Cooperative may: (1) bring and maintain a legal action to order the Member to comply with the Governing Documents.

The Articles and these Bylaws are contracts between the Cooperative and a Member. By becoming a Member, the member acknowledges that: (1) Every Member is a vital and integral

part of the Cooperative; (2) the Cooperative's successful operation depends upon each Member complying with the Governing Documents; and (3) members are united in an interdependent relationship.

As requested by the Cooperative, a Member shall: (1) submit a claim or dispute between the Member and the Cooperative according to the rules and procedures prescribed by the Articles of Incorporation; and (2) indemnify the Cooperative for, and hold the Cooperative harmless from, liabilities, damages, costs, or expenses, including reasonable attorney fees and legal expenses, incurred by the costs, or expenses, including reasonable attorney fees and legal expenses, incurred by the Cooperative, or by a Cooperative Director, Officer, employee, agent, or representative ("Cooperative Official"), and caused by the Member's negligence, gross negligence, or willful misconduct, or by the unsafe or defective condition of a Location Occupied by the Member.

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

**Section 3. Membership Fee.** The cooperative shall have no capital stock but the membership in the cooperative shall be evidenced by a certificate of membership. The issuing price of membership in the cooperative shall be the sum of \$5.00. The membership fee (together with any service security deposit, service connection deposit or fee, facilities extension deposit, contributions in aid of construction or any combination thereof, if required by the cooperative) shall entitle the member to one service connection, or such service connections as the cooperative approves.

**Section 4. Joint Membership.** A married couple may jointly become a member and their application for a joint membership may be accepted in the same manner as any other membership. The presence at a meeting of either or both shall constitute the presence of one member and the vote of either or both shall constitute respectively one vote. Joint Members are jointly and severally liable for all membership requirements. Suspension or termination in any manner of either shall constitute, respectively, suspension or termination of the joint membership. Either, but not concurrently, shall be eligible to serve as a Director of the Cooperative, assuming all other qualifications are met. Joint Members shall notify the Cooperative in writing of a cessation of marriage by either death or legal process. In case of a death, membership shall be transferred to the surviving joint member, provided the surviving spouse remains qualified as a member. In case of legal process, membership, including all dividends, shall be transferred per court order, and if none, to the member who is qualified and has possession of the property tied to the membership.

**Section 5. Acceptance into Membership.** Upon complying with all requirements set forth in Section 2, above, approval of the applicant's membership shall be submitted to a vote of the Board of Directors. No applicant shall become a member of the cooperative unless and until he has been accepted for membership by an affirmative vote of a majority of the members of the Board.

Section 6. Any other cooperative association formed under Chapter 499 of the Iowa Code and engaged in any activity directly or indirectly related to any activity in which the cooperative is engaged, is also eligible for membership subject to the foregoing provisions herein.

Section 7. The private property of the members of the cooperative shall be exempt from execution or liability for the debts of the cooperative and no member shall be individually responsible for any debts or liabilities of the cooperative.

Section 8. **Expulsion.** The Board of Directors of the cooperative may, by affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member of the cooperative who shall have willfully violated or refused to comply with any of the provisions of the Articles of Incorporation or these Bylaws of the cooperative, or any rules or regulations promulgated by the Board of Directors or who has failed to pay any debt or obligation due to the cooperative when same have become due and payable. Any member so expelled who undertakes to comply with all of the provisions of the Articles of Incorporation, these Bylaws, and all rules and regulations promulgated by the Board of Directors may be reinstated as a member by a vote of the members at any annual or special meeting of the member. Otherwise, any member so expelled may be reinstated as a member by a 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.

Section 9. **Member Termination of Membership.** Any member of the cooperative may withdraw from membership upon payment in full of all of said member's debts and liabilities to the cooperative and upon compliance with and performance of such terms and conditions as the Board of Directors may prescribe. Membership in the cooperative and the certificate representing same shall not be transferable. Death of a human member shall automatically terminate said member's membership. Cessation of legal existence of an entity shall automatically terminate its membership except that the remaining partners of a partnership may elect to continue to hold the membership upon the withdrawal or death of another partner, upon agreement of the estate of the deceased partner or said withdrawing partner. In the case of termination of an entity, said entity shall not be entitled to early payment of the deferred patronage dividends, and said dividends shall be paid on the regular rotation of payment and the entity shall be responsible for providing the Cooperative updated contact information.

A member may transfer a membership to another person or entity eligible for membership in limited circumstances as determined by Cooperative policy and subject to approval of the Board of Directors.

Section 10. **Death of Member.** Upon termination of a human member's membership by reason of death, said member's estate shall be entitled to a refund of the value of his membership, less any amounts due to the cooperative. In addition, if the legal representative shall request in writing that the capital previously credited to his deferred patronage dividend account be retired prior to the time that said patronage dividend would be otherwise retired, the Board of Directors may then elect to retire the full amount of said deferred patronage dividend account upon such terms and policies as prescribed by the Board and agreed upon by the legal

representative of the estate, including retirement of said account by computation of an appropriate "present value" of said account.

**Section 11. Purchase of Electric Power and Energy; Power Production by Member Application of Payments to All Accounts.** The cooperative shall make all reasonable efforts to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof. The Cooperative is not liable for damages, costs, or expenses, including attorney's fees or legal expenses, caused by the Cooperative providing inadequate, noncontinuous, or fluctuating electric energy unless the damages, costs, or expenses are caused by the Cooperative's gross negligent or willful misconduct. Each member for so long as such premises are owned or occupied or used by the Member, shall purchase from the cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the cooperative pursuant to membership at prices, rates, or amounts determined by the Board, and pursuant to terms, conditions time and names specified by the Cooperative.

- (a) Additionally, (1) a Member shall pay interest, compounded periodically, and late payment fees for amounts owed, but not timely paid, to the Cooperative; (2) a Member shall pay all costs, including reasonable attorney and collection fees, required to collect or obtain payment of amounts, but not timely paid, to the Cooperative; (3) the Cooperative may transfer an amount owed, but not timely paid, on a Member's account to another account of the Member; and (4) regardless of the Cooperative's accounting procedures, the Cooperative may apply amounts paid by a Member to all of the Member's accounts on a pro rata basis.
- (b) The Board of Directors may in writing waive such requirement, and shall pay therefore at the times, and in accordance with the rules, regulations, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 2.
- (c) Production or use of electric energy on such 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.
- (d) When the member has more than one service connection from the cooperative, any payment by member for service from the cooperative shall be deemed to be allocated and credited on a pro rated basis to the member's outstanding accounts for all such service connections, notwithstanding that the cooperative's actual accounting procedures do not reflect such allocation and proration.

**Section 12. Wiring of Premises; Responsibility Therefore; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification.** Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the National Electric Code and any applicable state code or local government ordinances, and of the cooperative.

Each member shall be responsible for and shall indemnify the cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of such premises and all wiring and apparatuses connected thereto or used thereon.

Each member shall make available to the cooperative a suitable site, as determined by the cooperative, whereon to place the cooperative's physical facilities for the furnishing and metering of electric service and shall permit the cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times.

As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use the Member's best efforts to prevent others from so doing.

Each member shall also provide such protective devices to the member's premises, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities, including Member meters, and their operation and to prevent any interference with or damage to such facilities. The Member shall keep the Cooperative's physical facilities and area surrounding free from all obstructions, including, but not limited to buildings, fences, landscaping, bushes, and shrubberies. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment.

The Cooperative shall, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the cooperative's billing procedures.

In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery.

**Section 13. Member to Grant Easements to Cooperative.** As required by the Cooperative for a Cooperative Purpose, a Member shall: (1) provide the Cooperative safe and

reliable access to or use of Member Property; and (2) pursuant to terms and conditions specified by the Cooperative, and without compensation from the Cooperative, grant or convey to the Cooperative a written or oral easement, right-of-way, license, or other right or interest in Member Property, and execute a document regarding this grant or conveyance.

## ARTICLE II.

### MEETING OF MEMBERS

Section 1. **Annual Meeting.** The regular meeting of the members of the Cooperative shall be held between March 1<sup>st</sup> and April 30<sup>th</sup> of each year on a date and at the time annually selected by the Board of Directors, at such place as shall be designated in the notice of the meeting in the City of Rock Rapids, County of Lyon, State of Iowa, where the principal place of business of the Cooperative is located 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 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 Cooperative.

Section 2. **Special Meetings.** Special meetings of the members may be called by a majority vote of the Directors or upon a written request signed by at least ten per centum (10 percent) of all the members of the Cooperative and it shall thereupon be the duty of the secretary of the Cooperative to cause notice of such meeting to be given as provided in Section 3 of this Article. Special meetings of the members of the cooperative shall be held at any place within the County of Lyon, in the State of Iowa, specified in the notice of the special meeting.

Section 3. **Notice of Member's Meeting.** Written or printed notice stating the place, day and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) 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 of the Cooperative. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, in a sealed envelope, addressed to the member, at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

Section 4. **Failure to Receive Notice.** 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 annual or special meeting.

Section 5. **Quorum.** The Quorum for any Members meeting, including any Special or Annual Meeting of the Members shall be a minimum of at least fifty (50) Members present in person at any such meeting, for the transaction of business at all meetings of the Members. In the event that there are less than fifty (50) Members present at such meeting, a majority of such Members so present may adjourn the meeting from time to time, without further notice.

**Section 6. Voting.** Each voting member shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members present in person or represented by mail vote except as otherwise provided by law, the Articles of Incorporation or these Bylaws. Votes shall be cast in person, except as hereinafter provided. Proxies are prohibited. The vote of entity member shall be cast only by its duly authorized representative.

**Section 7. Voting by mail.** Any member who is absent from any annual or special meeting of the members may vote by mail upon any motion or resolution to be acted upon at any such meeting with respect to an amendment to the Articles of Incorporation or the Bylaws, or any action submitted pursuant to a resolution adopted by the Board of Directors or by petition of not less than ten per centum (10 percent) of the members of the Cooperative. The secretary of the cooperative shall enclose with the notice of such meeting an exact copy of such motion or resolution to be acted upon, and such absent member shall express his vote thereon by writing "yes" or "no" on a Cooperative designated ballot therefore and enclose each such copy so marked in a sealed envelope bearing the Member's name addressed to the Secretary of the Cooperative. When such written vote so enclosed is received by mail from any absent member it shall be accepted and counted as a vote of such absent member at such meeting. Any member who is absent from any meeting held for the election of Directors may also vote by mail in the election of Directors by ballot as provided in Section 9 of Article III of these Bylaws. The failure of any such absent member to receive a copy of any such motion or resolution or ballot shall not invalidate any action which may be taken by the members at any such meeting.

**Section 8. 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 to order/Announcement of Quorum.
2. Presentation and reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
3. Presentation and consideration of, and acting upon, reports of officers, Directors and committees.
4. Election of Directors.
5. Unfinished business.
6. New business.
7. Adjournment.

### **ARTICLE III.**

#### **DIRECTORS**

**Section 1. Number.** The business and affairs of the cooperative shall be managed by a Board of Directors, nine (9) in number, elected by the members from their own number at the annual meeting of the cooperative.



**Section 2. Eligibility.** No person shall be eligible to become or remain a Director of the Cooperative who is a close relative of an incumbent Director or of an employee of the Cooperative (a "close relative" as a person who is in the first degree of consanguinity; father or mother, son or daughter and spouse; the second degree of consanguinity; grandparents, grandchildren and spouse, uncle or aunt and spouse, first cousin and spouse, niece or nephew and spouse, brother or sister and spouse; and, the first degree of affinity; spouse, father or mother of spouse, son or daughter of spouse and brother or sister of spouse.), or who is not a member in good standing of the Cooperative and receiving service therefrom at the person's primary residential abode.

The operating or chief executive of any entity member shall be eligible to become a Director of the directorate district in which such member is located. Provided, however, that no more than one (1) such entity shall serve on the Board of Directors at the same time.

No person shall be eligible to become or remain a Director of or to hold any other position of trust in, the cooperative who is not at least eighteen (18) years of age or is in any way employed by or financially interested in a competing enterprise, or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to, among others, the members of the Cooperative.

No person shall be considered ineligible, at any time, to be elected as a Director or to retain his or her position as a Director, by reason of the Member's position as a Director, employee, member, or stockholder of a Cooperative, other corporation or other business entity which is a competing enterprise or business as above defined.

Nothing in this section contained shall, or shall be constructed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

**Section 3. Joint Members as Director.** When a membership is held jointly pursuant to Article I, Section 4, either one, but not both, may be elected as director, provided, however, that neither one shall be eligible or become or remain a director or to hold a position of trust in the cooperative unless both shall meet the qualifications hereinabove set forth.

**Section 4. Districts.** The area served by this cooperative is divided into seven (7) geographical districts, as follows:

**District 1.** Lyon, Centennial and Sioux Townships, Lyon County, Iowa, all of South Dakota, that portion of Minnesota lying west of a northern projection of the east boundary of said Sioux township, and all that part of Sioux County, Iowa, lying west of a southern projection of the east boundary of said Lyon Township.

**District 2.** Larchwood, Logan and Richland Townships, Lyon County, Iowa, all that part of Minnesota lying between a northern projection of the east and west boundaries of said Larchwood Township and all that part of Sioux County, Iowa, lying between a southern projection of the east and west boundaries of said Richland Township.

**District 3.** Allison, Cleveland and Doon Townships, Lyon County, Iowa, all that part of Minnesota lying between a northern projection of the east and west boundaries of said Allison Township and all that part of Sioux County, Iowa, lying between a southern projection of the east and west boundaries of said Doon Township.

**District 4.** Riverside, Midland and Elgin townships, Lyon County, Iowa, all that part of Minnesota lying east of a northern projection of the west boundary of said Riverside Township, and all that part of Osceola County, Iowa, lying north of an easterly projection of the south boundary of said Elgin Township.

**District 5.** Rock and Garfield Townships, Lyon County, Iowa, and all that part of Sioux County, Iowa, lying between a southerly projection of the east and west boundaries of said Garfield Township.

**District 6.** Liberal and Grant Townships, Lyon county, Iowa, and all that part of Osceola County, Iowa, lying between an easterly projection of the north and south boundaries of said Grant Township.

**District 7.** Wheeler and Dale Townships, Lyon County, Iowa, all that part of Osceola County, Iowa lying south of an easterly projection of the north boundary of said Dale Township, all that part of Sioux County, Iowa, lying east of a southerly projection of the west boundary of said Wheeler Township, and all of O'Brien County, Iowa.

**Section 5. Director Classification.** Of the 9 Directors provided for in Section 1, one shall be elected from each of the districts herein established and two shall be elected at large. Those elected from districts shall be known as District Directors and the remaining two shall be known as Directors at Large. To be eligible as a District Director, the member must reside within the district the Member serves. Directors at Large may reside anywhere within the area served by the cooperative. If a District Director ceases to reside within the district the Member serves, there shall be an immediate vacancy which shall be filled as hereinafter provided.

**Section 6. Director Terms.** The Directors of this Cooperative shall assume office for a four-year term immediately after the Annual Meeting of the Cooperative. No member may be elected to more than three (3) consecutive four-year terms on the Board of Directors. Nothing herein contained shall be construed to prevent any member from serving on the Board of Directors for more than twelve (12) years so long as the Member does not serve more than three (3) consecutive four-year terms.

**Section 7. Number of Votes.** Each voting member of the Cooperative shall be entitled to one vote on the nominees for the Board of Directors to be elected from the District in which such member resides. The voting Member shall also be entitled to one vote on the nominees to the Board of Directors as Directors at Large.

**Section 8. Redistricting.** From time to time the Board of Directors shall re-examine the Director Districts and the number of members of the Cooperative residing therein. Redistricting

shall be ordered and effected by the Board at such times as are necessary to insure that the districts contain as nearly as possible an equal number of members.

**Section 9. Nomination of Directors; Ballot Procedure.** It shall be the duty of the Board of Directors to appoint, not less than 60 days nor more than 110 days before the date of a meeting of the members at which Directors are to be elected separate committees on nominations for and from each of the Districts that is to nominate a Director and a separate committee on nominations for the nomination of Directors at Large. Each such committee shall be made up of not less than 5 nor more than 11 members of the Cooperative and shall be selected so as to give equitable representation on the committee to the geographical area of the District, in the case of District Nominating Committees, and to the area served by the Cooperative in the case of Nominating Committees for Directors at Large.

No officer or member of the Board of Directors shall be appointed a member of such committees. The committees shall prepare and post at the principal office of the cooperative at least 45 days before the meeting a list of nominations for Directors. Any 15 or more members may make other nominations for Directors to be elected from their Districts or At Large in writing by their signatures not less than 30 days prior to the meeting and the Secretary shall post the same at the same place where the list of nominations made by the Committees is posted.

The Secretary shall prepare separate ballots marked "Ballot for Directors" for each District containing the names of all the nominees so posted, alphabetically arranged, noting incumbent status and stating the residence of each, which shall be mailed with the notice of the meeting. The Secretary shall also mail with the notice of the meeting a statement of the number of Directors to be elected from the particular District and at large and showing separately the nominations made by the particular committees on nominations and the nominations made by petition. Such statement of the Secretary shall also inform the members of the manner in which they may vote by mail for Directors.

Any member who is absent from any such meeting may vote by mail for Directors by marking on the ballot and "X" opposite the name of the number of candidates equal to the number of Directors to be elected from his District and at large and enclosing the ballot in a sealed envelope bearing the Member's name addressed to the Secretary of the Cooperative. When such ballot so enclosed is received by mail from any absent member it shall be accepted and counted as a vote for Directors by ballot of such absent member at such meeting. The provisions of this section shall not be mandatory in the case of recall of one or more Directors as provided in Section 2 of this Article III.

**Section 10. Director Vacancy.** Subject to the provisions of Section 11 of this Article III, vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining Directors, the Directors thus selected to serve for the remainder of the vacant term.

**Section 11. Director Removal Petition.** Any member may bring charges against a Director by filing them in writing with the Secretary of the cooperative, together with the petition signed by ten percent (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, by a

vote of a majority of all the members voting at such meeting, directors may be removed and the vacancy may be filled by the members.

In the case of a District Director, in addition to the authority granted to the members above, any member of a District may likewise bring charges against the Director serving the District in which such member resides by filing them in writing with the Secretary of the cooperative, together with a petition signed by 10% of the members of the particular District, requesting the removal of the Director in question. The removal shall be voted upon at the next regular or special meeting of the members by the members residing in the District served by the Director against whom the charges were lodged, and by a vote of a majority of the members of such District voting at such meeting, the Director may be removed and the vacancy may be filled by the members of the cooperative.

The Director against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present witnesses; and the person or persons bringing the charges against the Director shall have the same opportunity.

**Section 12. Compensation; Expenses.** A Director is not an employee of the Cooperative. Directors shall, as determined by formal action of the Board of Directors, receive, on a per diem basis, a fixed fee for attending meetings of the Board of Directors, Special Meetings and Annual Meeting. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred in attending such meetings and performing such business as well as any meetings for Cooperative business.

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 the payment and amount of such compensation shall be specifically authorized by a vote of the members or such payment and amount shall be specifically authorized by the Board of Directors upon their certification of such as an emergency measure: PROVIDED, that a Director who is also an officer of the Board, and who as such officer performs regular or periodic duties of a substantial nature for the cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the Board of Directors.

**Section 13. Rules, Regulations, Rate Schedules and Contracts.** The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management administration and regulation of the business and affairs of the Cooperative.

**Section 14. Accounting System and Reports.** The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of, such year. A preliminary

financial report shall be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

## ARTICLE IV.

### MEETINGS 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 and at such time and place in Lyon County, Iowa, as the Board may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing this time and place thereof.

**Section 2. Special Meetings.** Special meetings of the Board of Directors may be called by the President and any two (2) Directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place (which shall be in Lyon County, Iowa), for the holding of any special meeting of the Board of Directors called by them.

**Section 3. Notice of Special Meetings.** Notice of the time, place and purpose of any special meeting shall be given at least two (2) 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 in a sealed envelope so addressed, with postage thereon prepaid. The attendance of a Director at any such meeting shall constitute a waiver of notice of such meeting, except in case a Director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

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

**Section 5. Manner of Acting.** The act of majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

**Section 6. Conduct of Board Meetings.** Except as otherwise provided in these Bylaws, a Regular Board Meeting or Special Board Meeting ("Board Meeting") may be:

- 1) held in, or out of, a state in which the Cooperative Provides a Cooperative Service; and
- 2) conducted with absent Directors participating, and deemed present in person, through any means of communication by which all Directors participating in the Board Meeting may simultaneously hear each other during the Board Meeting.

If a Director Quorum is present at a Board Meeting, then:

- 1) in descending priority, the following Officers may preside at the Board Meeting: President, Vice-President, Secretary and Treasurer; and
- 2) if no Officer is present or desires to preside at a Board Meeting, then the Directors attending the Board Meeting must elect a Director to preside over the Board Meeting.

The Board may promulgate or approve rules, policies, and procedures regarding:

- 1) attendance at, participation in, or presentation during Board Meetings by Persons other than Directors;
- 2) the right to access, inspect, or copy minutes, records, or other documents relating to a Board Meeting by Persons other than Directors; or
- 3) the conduct of Board Meetings.

**Section 7. Waiver of Board Meeting Notice.** At any time, a Director may waive notice of a Board Meeting by delivering to the Cooperative a written waiver of notice signed by the Director and later filed with the Board Meeting minutes or the Cooperative's records. A Director's attendance at, or participation in, a Board Meeting waives notice of the Board Meeting and any matter considered at the Board Meeting, unless the Director:

- 1) at the beginning of the Board Meeting, objects to the lack of, or defective, notice of the Board Meeting; and
- 2) does not vote for, or assent to, action taken at the Board Meeting.

## **ARTICLE V.**

### **OFFICERS**

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

**Section 2. Election and Term of Office.** The officers of the Cooperative 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. Subject to the provisions of Section 8 of Article I and Section 3 of the Article V, each officer shall hold office until the first meeting of the Board of Directors following the next annual meeting of the members or until the Director's successors shall have been duly elected and shall have qualified.

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 would be served thereby.

Section 4. **Vacancies.** 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, certificates of membership of the cooperative, and may sign any deeds, mortgages, 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 the President's 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 the Vice-President by the Board of Directors.

Section 7. **Secretary.** Except as otherwise provided by the Board or these Bylaws, the Secretary:

- 1) shall be responsible for preparing, or supervising the preparation of, minutes of Board and Member Meetings;
- 2) shall be responsible for maintaining and authenticating the Cooperative's records;
- 3) may affix the Cooperative's seal to a document authorized or approved by the Board or Members; and
- 4) shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board.

Section 8. **Treasurer.** Except as otherwise provided by the Board or these Bylaws, the Treasurer shall perform all duties, shall have all responsibility, and may exercise all authority, prescribed by the Board.

Section 9. **Executive Vice President.** The Executive Vice President of the Cooperative shall be the Manager of the Cooperative and shall perform duties as Executive Vice President that may be assigned from time to time by the Board of Directors.

Section 10. **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 the Manager and shall have such authority as the Board of Directors may from time to time vest in the Manager.

Section 11. **Bonds.** At the Cooperative's expense, the Cooperative may purchase a bond covering a Cooperative Official.

Section 12. **Compensation; Indemnification.** The compensation, if any, of any officer, agent or employee who is also a Director or close relative of a Director shall be determined as provided in Section 13, Article III of these Bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed or a plan therefore approved by the Board of Directors.

Section 13. **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.

Section 14. **Indemnification and Liability.** Except as otherwise provided by Iowa law, a Director, officer, employee, or member of the Cooperative is not liable on the debts or obligations, and a Director, officer, member or other volunteer is not personally liable in that capacity for a claim based upon an act or omission of the person performed in the discharge of the person's duties, except for a breach of duty of loyalty to the Cooperative, for acts or omissions not in good faith or which involved intentional misconduct or knowing violation of the law, or for a transaction from which the person derives an improper personal benefit. The Cooperative may indemnify any present or former Director, officer, employee, member or volunteer in the manner and in the instances authorized in Iowa Code Section 496A.4A, as amended.

## ARTICLE VI.

### CONTRACTS, CHECKS AND DEPOSITS

Section 1. **Contracts.** Except as otherwise provided by law, the Articles of Incorporation or 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, or 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 in such financial securities or institutions as the Board of Directors may select.

## ARTICLE VII.

### MEMBERSHIP CERTIFICATES

Section 1. **Certificates of Membership.** Membership in the Cooperative shall be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Certificate of Incorporation or the Bylaws of the Cooperative. Such certificate shall be signed by the President and by the Secretary of the Cooperative and shall be sealed with its corporate seal.

Section 2. **Issue of Membership Certificates.** No membership certificate shall be issued for less than the membership fee fixed by the Board of Directors nor until such membership fee, any required service security deposits, facilities extension deposits, service connection fees, or contributions in aid of construction have been fully paid.

Section 3. **Lost Certificates.** In case of a lost, destroyed, or mutilated certificate, a new certificate may be issued therefore upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

## ARTICLE VIII

### REVENUES AND RECEIPTS

Section 1. No dividends shall be paid upon the issuing price of membership in this Cooperative. Subject to the obligations of the Cooperative, with respect to moneys borrowed and to provisions of any mortgage or other security given to secure such obligations, the Directors shall annually dispose of the earnings of the Cooperative in excess of its operating expenses as follows:

- (a) To provide a reasonable reserve for depreciation, obsolescence, bad debts, or contingent losses or expenses;
- (b) At least 10 percent (10%) of the remaining earnings must be added to surplus until surplus equals either thirty percent (30%) of the total of all capital paid in for memberships, plus all unpaid patronage dividends, plus certificates of indebtedness payable upon liquidation, earnings from non-member business and earnings arising from the earnings of other cooperative associations of which the cooperative is a member, or One Thousand Dollars (\$1,000.00), whichever is greater. No additions shall be made to surplus when it exceeds either fifty percent (50%) of the total or One Thousand Dollars (\$1,000.00), whichever is greater;

- (c) Not less than one percent (1%) nor more than five percent (5%) of such earnings in excess of reserves may be placed in an educational fund, to be used as the Directors deem suitable for teaching or promoting cooperation;
- (d) All remaining net earnings shall be allocated to a revolving fund and shall be credited to the account of each member ratably in proportion to the business done by the member with the cooperative during such year. Such credits are herein referred to as "deferred patronage dividends."
- (e) The Directors shall determine the percentage or the amount of said allocation that currently shall be paid in cash, provided that so long as there are unpaid deferred patronage dividends for prior years, the amount currently payable in cash shall not exceed twenty percent (20%) of said allocation. All said remaining allocations not so paid in cash shall be transferred to a revolving fund and credited to said members and subscribers.

Section 2. The members may, at any meeting, control the amount to be allocated to surplus or educational fund within the limits specified in Section 1 of this Article VIII.

Section 3. The Directors may use the revolving fund to pay the obligations or add to the capital of the Cooperative. In such event the deferred patronage dividends credited to members shall constitute a charge upon the revolving fund and future additions thereto, and on the corporate assets subordinate to creditors then or thereafter existing. Deferred patronage dividends for any year shall be priority over those for any subsequent year, except as provided in the Articles of Incorporation. The Directors may at their discretion pay deferred patronage dividends of deceased members or patrons, without reference to the order of priority herein prescribed.

Section 4. The Cooperative may issue certificates for deferred patronage dividends, which certificates may be transferable or non-transferable as the Board of Directors may from time to time determine.

Section 5. Credits or certificates referred to in Sections 3 and 4 of this Article VII shall not mature until the dissolution or liquidation of the cooperative but shall be callable by the Cooperative at any time in the order of priority specified in Section 3 of this Article VIII.

Section 6. The Cooperative, before retiring any patronage dividends to any member's account, shall deduct therefrom any amount owing by such member to the Cooperative, together with interest thereon at the legal rate in effect when such amount became due, compounded annually, and such member hereby grants the Cooperative a security interest against such patronage dividends for such amounts owed. The Cooperative shall deduct patronage dividends, together with interest thereon at the legal rate in effect when such amount became due, compounded annually, from any member's account that has left the system upon cessation of service and such member hereby grants the Cooperative a security interest against such patronage dividends.

## **ARTICLE IX.**

### **WAIVER OF NOTICE**

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

## **ARTICLE X.**

### **SALE OR DISPOSITION OF ASSETS OTHER THAN IN REGULAR COURSE OF BUSINESS.**

Section 1. A sale, lease, exchange or other disposition of all or substantially all of the property and assets of the Cooperative, with or without the good will, if not made in the usual and regular course of business, may be made upon 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 other cooperative associate organized under the statutes of the State of Iowa, as long as such sale, lease, exchange or other disposition is authorized in the following manner:

- (a) The Board of Directors of the Cooperative shall adopt a resolution recommending the sale, lease, exchange, or other disposition and directing the submission thereof to a vote at a meeting of the membership, which may be either an annual or special meeting.
- (b) Written or printed notice of the proposal shall be given to each member of record entitled to vote at the meeting within the time and in the manner provided by the Articles of Incorporation for the giving of notice of meetings of members and whether the meeting be an annual or special meeting, shall state that the purpose, or one of the purposes of the meeting is to consider the proposed sale, lease, exchange or other disposition of substantially all of the property and assets of this Cooperative.
- (c) At the meeting the membership may authorize the sale, lease, exchange or other disposition and may fix, or may authorize the Board of Directors to fix, any and all of the terms and conditions thereof and the consideration to be received by this Cooperative. Such authorization shall be approved if two thirds of the members vote affirmatively on a ballot on which a majority of all voting members of the cooperative participate.
- (d) After the authorization by the vote of members, the Board of Directors of the cooperative may nevertheless in its discretion abandon the sale, lease, exchange or other disposition of assets, subject to the rights of third parties under any contracts relating thereto without further action or approval by the member.

- (e) Notwithstanding anything herein contained, the Board for Directors, without the consent or vote of the members of the cooperative or any part thereof, shall have full power and authority to borrow money from United States of America Reconstruction Finance Corporation, or any other agency of United States of America, or to a National Financing Institution, organized on a Cooperative plan for the purpose of financing its member's programs, projects and undertakings, in which the Cooperative holds memberships, and to authorize the making and issuance of bonds, notes or other evidences of indebtedness, secured or unsecured, for money so borrowed and to secure the payment of such bonds, notes, or other evidences of indebtedness by mortgage or mortgages, or deed or deeds of trust upon or the pledge of or other lien upon all or any of the property, assets, rights, privileges and permits of the cooperative wherever situated, acquired or to be acquired, upon such terms and conditions as the Board of Directors shall determine.

#### **ARTICLE XI.**

#### **DISSOLUTION**

Upon dissolution or liquidation, the assets of the Cooperative shall be applied to the payment of all obligations of the Cooperative other than patronage dividends or certificates issued therefore, and the remainder of such assets shall be distributed in the manner and order of priority provided by law.

#### **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 in the same year.

#### **ARTICLE XIII.**

#### **RULES OF ORDER**

Parliamentary procedure at all meetings of the members, of the Board of Directors, or any committee provided for in these Bylaws and of any other committee of the members or Board of Directors which may from time to time be duly established 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.

#### **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, Iowa."

## ARTICLE XV.

### AMENDMENTS

The Directors by vote of 75 percent of the Directors may adopt, alter, amend, or repeal Bylaws for the Cooperative, which shall remain in force and effect until altered, amended, or repealed by vote of 75 percent of the members present or represented having voting privileges, at any annual meeting or special meeting of the membership, or as otherwise provided in the Articles of Incorporation of Bylaws.

## ARTICLE XVI.

### MISCELLANEOUS

Section 1. **Governing Law.** These Bylaws must be governed by, and interpreted under, the laws of the state in which the Cooperative is incorporated.

Section 2. **Titles and Headings.** Titles and headings of Bylaw articles, sections, and subsections are for convenience and reference, and do not affect the interpretation, construction, or application of a Bylaw article, section, or subsection.

Section 3. **Partial Invalidity.** When reasonably possible, every Bylaw article, section, subsection, paragraph, sentence, clause, or provision (collectively, "Bylaw Provision") must be interpreted in a manner by which the Bylaw Provision is valid. The invalidation of a Bylaw Provision by an Entity possessing proper jurisdiction and authority, which invalidation does not alter the fundamental rights, duties, and relationship between the Cooperative and Members, does not invalidate the remaining Bylaw Provisions.

Section 4. **Cumulative Remedies.** The rights and remedies provided in these Bylaws are cumulative. The Cooperative or a Member asserting a right or remedy provided in these Bylaws does not preclude the Cooperative or Member from asserting other rights or remedies provided in these Bylaws.

Section 5. **Entire Agreement.** Between the Cooperative and a Member, the Governing Documents: (1) constitute the entire agreement; and (2) supersede and replace a prior or contemporaneous oral or written communication or representation.

Section 6. **Successors and Assigns.** Except as otherwise provided in these Bylaws: (1) the duties, obligations, and liabilities imposed upon, and the rights granted to, the Cooperative by these Bylaws are binding upon, and inure to the benefit of, the Cooperative's successors and assigns; and (2) the duties, obligations, and liabilities imposed upon a Member by these Bylaws are binding upon the Member's successors and assigns. The binding nature of the duties,

obligations, and liabilities imposed by these Bylaws upon the successors and assigns of the Cooperative or a member does not relieve the Cooperative or Member of the duties, obligations, and liabilities imposed by these Bylaws.

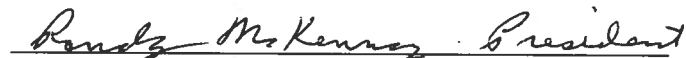
**Section 7. Waiver.** The failure of the Cooperative or a Member to assert a right or remedy provided in these Bylaws does not waive the right or remedy provided in these Bylaws.

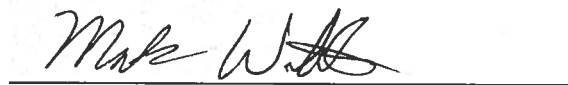
**Section 8. Lack of Notice.** The failure of a Member or Director to receive notice of a Meeting, action, or vote does not affect, or invalidate, an action or vote taken by the Members or Board.

**Section 9. Governing Documents.** "Governing Documents" as used in these Bylaws shall mean the written application signed by an Applicant or Member and the following documents and actions, all as currently existing or as later adopted or amended: (1) all Law regarding or affecting the Cooperative's property, property rights, and assets, the Cooperative's operation, the Cooperative Members and Patrons, the Provision and Use of Cooperative Services, Cooperative Equipment, and Member Equipment connected to Cooperative Equipment; (2) the Articles of Incorporation; (3) these Bylaws; (4) the Cooperatives services rules, regulations and policies; (5) the Cooperative's rate or price schedules; and (6) all rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or actions taken, adopted, promulgated, or approved by the Board of Directors.

**Adopted by unanimous vote of the Board of Directors at a regular meeting held June 27, 2017.**

**LYON RURAL ELECTRIC COOPERATIVE**

  
By: Randy McKenney – President

  
ATTEST: Mark Wibben – Its Secretary