

Sullivan County Rural Electric Cooperative, Inc.



BYLAWS

As Amended
August 2016

*Sullivan County Rural Electric Cooperative, Inc.
will provide safe, dependable electric energy and
related services to it's members in an
environmentally sound and fiscally responsible
manner.*

ARTICLE I
MEMBERSHIP

Section 1. Requirements for Membership

Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of the Sullivan County Rural Electric Cooperative, Inc., (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that they have first:

- (a) made written application for membership;
- (b) agreed to purchase electric service from the Cooperative;
- (c) agreed to comply with and be bound by the Articles of Incorporation, Bylaws, policies, rules and regulations of the Cooperative and any rules and regulations adopted by the Board of Directors;
- (d) agreed that not less than \$7.00 nor more than \$15.00 of the amount paid by each member to the Cooperative each year is for a year's subscription to Penn Lines;
- (e) Agreed that the Members 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 member, and both the Cooperative and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable.

Section 2. Joint Memberships

A husband and wife or two individuals sharing a residence may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include the two persons holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. In addition, the holders of a joint membership shall be subject to the following provisions:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member;
- (b) The vote of either separately or both jointly shall constitute one joint vote but they shall together receive no more than one vote;
- (c) Notice to either shall constitute notice to both;
- (d) Death, expulsion, withdrawal of either shall terminate the joint membership;
- (e) Either but not both may be elected or appointed as an officer or Board member, provided that the qualifications for such office are met.

Section 3. Conversion of Membership

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by both parties to comply with the Articles of Incorporation, Bylaws, policies and rules and regulations adopted by the Board.
- (b) Upon the death of either individual who is a party to the joint membership, such membership shall be held solely by the survivor.

Section 4. Member to Grant Easements to Cooperative

The member further acknowledged that in making application to the Cooperative for electric service, they granted and conveyed for no cost or additional consideration other than the benefit of membership, unto the said Cooperative, its successors and assigns, an easement for the right and authority to enter upon his lands and construct, erect, operate, replace, repair and maintain perpetually an electric line with necessary wires and appurtenances for providing reliable electric service to him and to other members of the Cooperative. Also the right and privilege to cut or trim trees to the extent necessary to keep them clear of the said line. Each member shall, upon being requested to do so by the Cooperative, execute and deliver at no cost to the Cooperative additional grants of easement or right-of-way over, on and under any lands owned or leased by or mortgaged to the member, as the Cooperative shall require for the furnishing of electric service to him or other members or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities.

Section 5. Purchase of Electrical Service

Each member shall, as soon as electric service shall be available, purchase from the Cooperative all electric service used on the premises specified in his application for membership, and shall pay therefore at rates which shall from time to time be fixed by the Board. It is expressly understood that amounts paid for electric service in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the Cooperative such minimum amount regardless of the amount of electric service consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

Section 6. Termination of Membership

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than two-thirds of all the members of the Board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules or regulations adopted by the Board, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting.
- (b) Unless otherwise agreed by the Cooperative, the membership of a member who for a period of six (6) months after service is available to him, has not purchased electric service from the Cooperative, or of a member who has ceased to purchase service from the Cooperative, or upon the withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

**ARTICLE II
RIGHTS AND LIABILITIES OF MEMBERS**

Section 1. Property Interest of Members

Upon dissolution after:

- (a) all debts and liabilities of the Cooperative shall have been paid, and
- (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten years next preceding the date of the filing of the certificate of dissolution.

Section 2. Non-liability for Debts of the Cooperative

The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

**ARTICLE III
MEETING OF MEMBERS**

Section 1. Annual Meeting

The Annual Meeting of the members shall be held during the month of June or as determined by the Board at such time and place as selected by the Board of Directors. Failure to hold the Annual Meeting of the members at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings

Special meetings of the members shall be called upon any one or more of the following conditions:

- (a) A resolution executed by the Board of Directors requesting a Special Meeting of the members.
- (b) A written petition signed by three or more members of the Board of Directors requesting a Special Meeting of the members, filed with the Secretary.
- (c) A written statement from the Chairman of the Board of Directors requesting a Special Meeting, filed with the Secretary.
- (d) A written statement by the Chief Executive Officer of the Cooperative requesting a Special Meeting, filed with the Secretary.
- (e) A petition signed by not less than one tenth (1/10) of all of the members of the Cooperative requesting a Special Meeting of the members, filed with the Secretary. The time period between the first signature and the last signature on the petition shall not exceed sixty (60) days.

Section 3. Notice of Members' Meetings

Written notice stating the place, day and hour of the meeting and, in case of a Special Meeting or an Annual Meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than 60 days before the date of the meeting, either personally, by mail or other approved means, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an Annual or Special Meeting of the members shall not invalidate any actions which may be taken by the members at any such meeting. In the case of a Special Meeting, the official written notice shall state the purpose of the meeting. No business shall be conducted at a Special Meeting of the members except that stated in the official notice of such meeting.

Section 4. Quorum

Not less than three hundred (300) members present in person shall constitute a quorum for the transaction of business at a Special Meeting of the members. In case of a joint membership, the presence at a meeting of either individual, or both, shall be regarded as the presence of one member.

Section 5. Voting

Each member shall be entitled to only one vote upon each matter submitted to a vote. All questions shall be decided by a vote of a majority of the members voting thereon, except as otherwise provided by law, the Articles of Incorporation or these Bylaws.

- (a) All voting on the election of Directors and on any motion or resolution or other matters which are necessary to be voted on by the membership may, if so provided by the Board, be by hand delivery, mail or electronic means. Except for the approval of minutes and the acceptance of reports presented at an Annual Meeting, or as otherwise provided in these Bylaws, only actions included in the meeting notice may be voted on at a member meeting.
- (b) Official ballots received by mail, electronic means, or hand delivered to the Cooperative shall be counted if received by the Cooperative prior to the close of balloting at an announced date and time as determined by the Board.
- (c) The failure of any member to receive any such ballot shall not invalidate any action which may be taken at the meeting at which the ballot is to be voted.

Section 6. Order of Business

- (a) Order of Business-Meetings of the Members.

The order of business at meetings of the members shall be Determined by the Board of Directors.

In general, the latest version of Robert's Rules of Order shall be used to decide questions. In case of dispute, the attorney for the Cooperative shall state an opinion which shall be binding.

**ARTICLE IV
BOARD MEMBERS**

Section 1. General Powers

The business and affairs of the Cooperative shall be managed by a Board of nine (9) members which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or these By-laws conferred upon or reserved to the members.

Section 2. Election and Tenure of Office

- (a) Directorate Districts. The territory served or to be served by the Cooperative shall be divided into nine (9) districts. Each district shall be represented by one Board member who shall be a resident member user in said district. The nine (9) districts shall be as follows:

District 1	Fox Twp. McNett Twp. Canton Twp.	Sullivan County Lycoming County Bradford County
District 2	Hillsgrove Twp. Elkland Twp.	Sullivan County Sullivan County
District 3	Overton Twp. Forks Twp. Forksville Boro.	Bradford County Sullivan County Sullivan County
District 4	Laporte Twp. Cherry Twp. Laporte Boro. Albany Twp.	Sullivan County Sullivan County Sullivan County Bradford County
District 5	Davidson Twp. Shrewsbury Twp. Penn Twp. Franklin Twp. Jordan Twp.	Sullivan County Sullivan County Lycoming County Lycoming County Lycoming County
District 6	Shrewsbury Twp. Wolf Twp. Mill Creek Twp.	Lycoming County Lycoming County Lycoming County
District 7	Upper Fairfield Twp.	Lycoming County
District 8	Plunketts Creek Twp.	Lycoming County
District 9	Gamble Twp. Cascade Twp. Lewis Twp.	Lycoming County Lycoming County Lycoming County

- (b) Ten (10) or more members residing in a district wherein a Director's term is expiring may make a nomination by petition. Petitions must be received by the Cooperative not less than one hundred twenty (120) days prior to the Annual Meeting. Petitions are available (60) days in advance of the petition deadline. Candidates for the office of Director shall be limited to those individuals who have been properly nominated by petition and who are subsequently deemed eligible to serve by the Credentials & Election Committee.

- (c) Credentials and Election Committee. No later than December 31st of the year preceding each Annual Meeting, the Board shall appoint a C&E Committee. The C&E Committee shall consist of six (6) members who are not existing Cooperative employees, agents, officers, Directors or known candidates for Director, and who are not close relatives, agents, officers, Directors or known candidates for Director. A close relative, as used in these By-laws, is a person who, by blood or in law, including step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, niece or a person living within the household of the principal. A Cooperative employee, used in these Bylaws, is a person who is directly employed by the Cooperative and its subsidiaries. In appointing the C&E Committee, the Board shall have regard for the equitable representation of the several areas served by the Cooperative, but none from districts whose Director seats are being voted upon.

The C&E Committee shall elect its own chairman and secretary. It shall be the responsibility of the C&E Committee to conduct director elections in Accordance with the Bylaws, to pass upon all questions that may arise regarding the same, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of Directors (including but not limited to the validity of petitions of nomination or the qualifications of candidates and the regularity of the nomination and election of Directors), to reject all non-eligible candidates based upon their qualifications or lack thereof, as set forth in Article IV, Section 3, and to pass upon any protest or objection filed with respect to any election or to conduct affecting the results of any election. In the exercise of its responsibility, the C&E Committee shall have available to it the advice of counsel provided by the Cooperative.

In the event a protest or objection is filed by a member concerning any member election, such protest or objection must be in writing, signed and received at the Cooperative's headquarters within three business days following the adjournment of the meeting in which the voting is reported. The C&E Committee shall thereupon be reconvened, upon notice from its chairman within fifteen (15) business days after such protest or objection is filed. The C&E 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 any opposing evidence; and the C&E Committee, by a vote of a majority of those present and voting shall be within a reasonable time, but not later than thirty (30) days after the conclusion of such hearing, render its decision in writing, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The C&E Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final. The C&E Committee may not affirmatively act on any matter unless a majority of the C&E Committee is present.

- (d) Term of directors shall be three years and continue until a successor is elected. Beginning with calendar year 2016 each district shall re-elect its director on a staggered basis as follows:
 - (i) Directors for Districts 2, 6 and 9 shall be elected in 2016.
 - (ii) Directors for Districts 1, 5 and 7 shall be elected in 2017.
 - (iii) Directors for Districts 3, 4 and 8 shall be elected in 2018.

Section 3. Qualifications

To be eligible to become and/or remain a Board member of the Cooperative, a person must:

- (a) be a Cooperative member who is a bona fide legal resident of the District to which elected;
- (b) be a member in good standing. Good standing shall include, but not be limited to, all accounts being paid current and not engaged in litigation against the Cooperative; and
- (c) not have been removed in the past by the membership or the Board for any reason other than the normal election process.

Upon establishment of the fact that a Board member is holding the office in violation of the foregoing provisions, the Board shall remove such Board member from office. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

Section 4. Removal of Board Members

- (a) Any member of the Cooperative may request the removal of a member of the Board of Directors by filing with the Secretary of the Board of Directors a petition signed by not less than one-tenth (1/10) of all of the members of the Cooperative requesting the removal of said director and stating the reasons therefore. The time period between the first signature and the last signature on the petition shall not exceed sixty (60) days.
- (b) Upon receipt and verification of such petition, the Board of Directors shall make arrangements for a meeting of the members and shall give notice of such meeting to the members as required by the Bylaws of the Cooperative.

Such meeting shall not be arranged until at least thirty (30) days after the Board member whose removal is requested has received written notice of such action and a written statement of the reasons for their possible removal.

- (c) Any Board member, upon the affirmative vote of at least two-thirds (2/3) of the members of the Board, may be removed from the Board if he or she has been declared of unsound mind by an order of a court, has been convicted of a felony or a crime involving moral turpitude, or for other proper cause, including violations of fiduciary duty expected of a Board member, self dealing, a conflict of interest or personal conduct which would likely cast doubt on the integrity of either the member, the Board and/or its other members. The Board shall establish the procedures to be followed when considering the removal of a Board member which shall include:
 - 1. Presentation of the request for dismissal and the reasons therefore.
 - 2. An opportunity for the director whose removal is requested to present testimony and statements on his behalf.
 - 3. An opportunity for a further statement by both parties.

- (d) The attorney for the Cooperative shall advise the officers of the Board as appropriate and necessary to achieve a fair hearing by all parties. No reasons for dismissal shall be introduced or discussed at this Special Meeting of the members except those specifically stated in the written notice to the director whose removal is under consideration. No more than the removal of one director shall be considered at any Special Meeting of the members.

- (e) A majority vote of those present and voting shall be required to remove a director with not less than (151) members in favor of a motion to remove.

Section 5. Vacancies

Any vacancies occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Board members for the unexpired portion of the term except that any Board member removed under ARTICLE IV, Section 4, shall not be reappointed by the Board to fill the vacancy.

Section 6. Compensation

Board members shall not receive any salary for their services, except by authorization by the Board a fixed sum shall be paid for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments. If authorized by the Board, Board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting. No Board member shall receive compensation for serving the Cooperative in any other capacity.

Section 7. Rules, Policies, Regulations

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

Section 8. Personal Liability of Directors

A director of the Cooperative shall not be personally liable for monetary damages as such for any action taken, or any failure to take any action unless:

- (a) the director has breached or failed to perform the duties of their office under 15 P.S. §12423.1 (a) Electric Cooperative Corporation Act, as amended; and
- (b) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

This section shall not apply to (1) the responsibility of liability of a director pursuant to any criminal statute or (2) the liability of a director for payment of taxes pursuant to local, State or Federal law.

Section 9. Indemnification

Subject to the limitations hereinafter set forth, the Cooperative may indemnify any director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or administrative or investigative proceeding, whether formal or informal, and whether brought by or in the right of the Cooperative or otherwise, by reason of the fact that he was a director, officer, employee or agent of the Cooperative, to the fullest extent permitted by law, including without limitation indemnification against expenses (including attorneys' fees and disbursements), damages, punitive damages, judgments, penalties, fines and amounts paid in settlement incurred by such person in connection with such proceeding. Such indemnification shall not impair any other right any such person may have.

Section 10. Advance Payment of Expenses

Expenses incurred by a director, officer, employee or agent of the Cooperative in defending a civil or criminal action, suit or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Cooperative.

Section 11. Insurance or Indemnification Fund

To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the Cooperative may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the Board of Directors shall deem appropriate.

Section 12. Exclusivity

All rights of indemnification under this Article, shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any statute, agreement, vote of members, or disinterested directors or otherwise. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall continue as to a person who has ceased to be a director, officer, employee or agent in respect of matters arising prior to such time, and shall insure to the benefit of the heirs, executors and administrators of such person.

**ARTICLE V
MEETINGS OF BOARD**

Section 1. Regular Meetings

A reorganization meeting of the Board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members, and regular meetings of the Board shall also be held monthly at the Cooperative offices in Forksville, Sullivan County, Pennsylvania, or any other place as determined by the Board. Such regular monthly meetings may be held, without notice other than such action fixing the time and place thereof.

Section 2. Special Meetings

Special meetings of the Board may be called by the Chairman or by any three Board members, and it shall thereupon be the duty of the Secretary/Treasurer or designee to cause notice of such meeting to be given as hereinafter provided. The Chairman or Board members calling the meeting shall fix the time and place for the holding of the meeting.

Section 3. Notice of Special Board Meetings

Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Board member either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairman or the Board member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Board member at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

Section 4. Quorum

A majority of the Board shall constitute a quorum, provided, that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Board members of the time and place of such adjourned meeting. The act of a majority of the Board members present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws.

ARTICLE VI OFFICERS

Section 1. Number

The officers of the Cooperative shall be a Chairman, Vice Chairman, Secretary and such other officers as may be determined by the Board from time to time.

Section 2. Election and Term of Office

The officers shall be elected annually by and from the Board at the meeting of the Board held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until his successors shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

Section 3. Removal of Officers and Agents by the Board

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

Section 4. Chairman

The Chairman shall:

- (a) function as the chairman of the Board and, unless otherwise determined by the members or the Board, shall preside at all meetings of the members and the Board;
- (b) sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the 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 Chairman and such other duties as may be prescribed by the Board from time to time.

Section 5. Vice Chairman

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

Section 6. Secretary

The Secretary shall be responsible for:

- (a) keeping or cause to be kept the minutes of the meetings of the members and of the Board in a neat, accurate, legible and satisfactory manner;
- (b) Seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) the safekeeping of the corporate books and records and affixing the seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- (d) keeping a register of the names and post office addresses of all members;
- (e) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of the Bylaws and of all amendments thereto to any member upon request; and
- (f) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board.

Section 7. Chief Executive Officer

The Board shall select a Chief Executive Officer who shall be the chief executive officer of the Cooperative who shall not be required to be a member of the Cooperative. The CEO shall perform such duties and shall exercise such authority as the Board may from time to time vest in him.

Section 8. Reports

The Cooperative shall submit at each Annual Meeting of the members, reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

**ARTICLE VII
NON-PROFIT OPERATION**

Section 1. Interest or Dividends on Capital Prohibited

The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

Section 2. Non-Profit Operation

- (a) the Cooperative shall be operated without profit to its members, but the rates, fees, rents or other charges for electric energy and electric service and any other facilities, supplies, equipment or services furnished by the Cooperative, shall be sufficient at all times:
 - 1. to pay all operating and maintenance expenses necessary or desirable for the prudent conduct of its business, and the principal of and interest on the obligations issued or assumed by the Cooperative in the performance of the purpose for which it was organized; and
 - 2. for the creation of reserves.
- (b) the revenues of the Cooperative shall be devoted, first to the payment of operating and maintenance expenses and the principal and interest on outstanding obligations, and thereafter to such reserves for improvement, new construction, depreciation, and contingencies as the Board may, from time to time, prescribe.
- (c) revenues not required for the purposes set forth in subsection (b) of this section shall be returned, from time to time, to the members on a pro-rata basis according to the amount of business done with each during the period, either in cash, in abatement of current charges for electric energy and electric service, or otherwise, as the Board determines, but such return may be made by way of general rate reduction to members if the Board so elects.

Section 3. Patronage Capital in Connection with Furnishing Electric Energy and Electric Service

In the furnishing of electric energy and electric service, the Cooperative's operations shall be so conducted that all members 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 members for all amounts received and receivable from the furnishing of electric energy and electric service in excess of operating costs and expenses properly chargeable against the furnishing of electric energy and 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 members as capital. The Cooperative is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs, expenses and reserves. 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 member is clearly reflected and credited in an appropriate record to the capital account of each member. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital.

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

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro-rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to members' accounts may be retired in full or in part. The Board of Directors shall determine the method, basis, priority, and order of retirement, if any, for all amounts furnished as capital.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative.

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 member, if the legal representatives of his estate shall request in writing that the capital credited to any such person 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 member, on a "discounted" basis, immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such member's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

**ARTICLE VIII
DISPOSITION OF PROPERTY**

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property to the United States of America and to its agencies or to the National Rural Utilities Cooperative Finance Corporation unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of a two-thirds (2/3) majority of the members present at a duly called meeting of members, and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided however, that notwithstanding anything herein contained, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a 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, as well as from the revenues and income, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof or to other lending agency or lending corporation or to the National Rural Utilities Cooperative Finance Corporation.

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property to any agency, purchaser, lender or lessor other than the United States of America and its agencies or to the National Rural Utilities Cooperative Finance Corporation unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of all of the members of the Cooperative; all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof, or to secure any indebtedness to any other entity approved by the United States of America or any instrumentality or agency thereof; provided further that the Board may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, and the notice of such proposed sale, lease or otherwise dispose of all or a substantial portion of its property to another Cooperative.

**ARTICLE IX
SEAL**

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal Pennsylvania."

**ARTICLE X
FINANCIAL TRANSACTIONS**

Section 1. Contracts

Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the 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 and/or countersigned 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 action of the Board.

Section 3. Deposits

Except petty cash and other funds authorized by the Board, all funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board may select.

Section 4. Fiscal Year

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

**ARTICLE XI
MISCELLANEOUS**

Section 1. Membership in Other Organizations

The Cooperative shall not become a member of, or purchase stock in any other organization without an affirmative vote of the Board of Directors at any duly held regular or special meeting of the Board, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, as an item of business.

Section 2. Waiver of Notice

Any member or Board member may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or Board member at any meeting shall constitute a waiver of notice of such meeting by such member or Board member, except in case a member or Board member shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 3. Accounting System and Reports

The Board shall cause to be established and maintained a complete accounting system which shall conform to any applicable laws and rules and regulations of any regulatory body. The Board shall also after the close of each fiscal year, cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be available to members upon request.

ARTICLE XII

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of the members of the Board of Directors at any regular or special meeting of the Board of Directors of which written notice shall have been given, provided, that notice of such alteration, amendment, or repeal shall have been given with the notice of the meeting.

