

YAMPA VALLEY ELECTRIC ASSOCIATION, INC.
Steamboat Springs, Colorado

The aim of the Yampa Valley Electric Association, Inc. is to make energy available to its members at the lowest cost consistent with sound economy and good management, and to sell and provide other forms of energy, goods and services to its members and to non-member consumers.

BYLAWS

ARTICLE I
Members

Section 1. Qualifications and Obligations.

Any person, firm, corporation or body politic shall become a member in Yampa Valley Electric Association, Inc. (hereinafter sometimes called the "Cooperative" or the "Association") by:

- (a) paying the membership fee hereinafter specified and making written application for membership therein; and,
- (b) agreeing to purchase from the Association electric energy as hereinafter specified; and,
- (c) agreeing to comply with and be bound by the Certificate of Incorporation of the Association and these Bylaws and amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Directors; provided, however, that no applicant shall become a member until electric service is supplied to the applicant by the Cooperative. No further acceptance of the membership application by the Cooperative shall be required. No person, firm, corporation or body politic may own more than one (1) membership in the Association.

A married couple or two partners in a civil union under the Colorado Civil Union Act may jointly become a member and their application for a joint membership may be accepted in accordance with the foregoing provisions of this Section, provided the married couple or both partners in such civil union comply jointly with the provisions of the above Subdivisions (a), (b), and (c).

Any natural person who becomes a member or joint member is hereinafter sometimes called an "Individual Member." Any firm, corporation, body politic or other legal entity which becomes a member is hereinafter sometimes called an "Entity Member." An Individual Member's non-residential electric account may be in a business name, but the written application for membership shall identify, and the membership shall be vested in, the Individual Member. Except for a joint membership of a married couple or two partners in a civil union under the

Colorado Civil Union Act, no membership shall exist for multiple Individuals and/or Entities on an electric account, but each electric account (other than a joint membership account) shall be in the name of only one (1) member.

Section 2. Membership.

A membership fee may be determined from time to time by the Board of Directors, but if such a fee is imposed, it shall be no more than five dollars (\$5.00) per member, regardless of the number of accounts in the name of the member.

Section 3. Purchase of Energy, Goods and Services.

- (a) Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in his application for membership, and shall pay therefor monthly at rates which shall from time to time be fixed by the Board of Directors or at rates and tariffs on file with such agency or agencies of the State of Colorado or the State of Wyoming as may be provided by law. Production or use of electric energy on such premises regardless of the source thereof, by means of facilities which shall be interconnected with the Cooperative facilities shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital furnished as provided in these Bylaws.

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

- (b) Members may also purchase from the Association other forms of energy, goods and services as the Association may from time to time make available for purchase by its members.

Section 4. Non-liability for Debts of the Association.

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

Section 5. Termination of Membership.

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

The Board of Directors may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member and cause his membership certificate to be cancelled if such member shall have violated or refused to comply with any of the provisions of the Certificate of Incorporation of the Association or these Bylaws or any rules or regulations adopted from time to time by the Board of Directors. Any member so expelled may be reinstated as a member by a vote of the members at an annual or special meeting. The action of the members with respect to any such reinstatement shall be final. The membership of a member, who for a period of three (3) months after electric energy is available to him, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase electric energy from the Cooperative for a period of three (3) months, or upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative and the membership fee refunded or offset against debts due the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative. The rights of a member in patronage capital, as provided in Article VIII hereof, shall not be impaired by termination of membership; all other rights in the Cooperative's assets and property shall terminate.

The Cooperative holds certain deposits, membership fees and accounts payable (collectively referred to herein as "funds") for the accounts of past patrons and others. These funds have never been claimed by past patrons or others. Such funds, tendered in the form of negotiable instruments, were sent by first class mail to such past patrons or others at their last known addresses but were returned undelivered or otherwise remain unclaimed. Bookkeeping and accounting maintenance of such unclaimed funds for such past patrons and others is burdensome and costly to the Cooperative. The failure by a past patron to assert a claim for such funds constitutes evidence of intent to abandon such funds.

Any funds which became due and payable to a past patron, but which remain unclaimed by a past patron for six or more months after having been mailed by first class mail to such past patron at his last known address, are hereby conclusively deemed abandoned and forfeited to the Cooperative and belong to the Cooperative, if:

- 1) The Cooperative has first given notice to such past patron of the unclaimed funds by publication in a newspaper of general circulation within the service area of the Cooperative; and
- 2) Such past patron does not claim such funds within thirty (30) days of the date of publication.

Such unclaimed funds which are so deemed abandoned and forfeited to the Cooperative shall be cancelled and credited to the Cooperative on its books. The Board may direct, in its discretion, the use of such funds for expenditures associated with the provision of energy service.

After July 1, 1992, all new and existing patrons of the Cooperative covenant and agree with the Cooperative, as a term and condition of new or continued patronship, that all funds, as defined above, becoming payable after July 1, 1992, and which remain unclaimed after six

months from the date of mailing of a payment thereof to a patron, by first class mail addressed to such patron at his/her/its last known address, and after 30 days following publication of notice by the Cooperative as above described, shall be forfeited, and the right, title and interest in such fund shall be deemed to be irrevocably assigned and given to the Cooperative at the end of such six month period.

Section 6. Transfer of Membership.

- (a) Membership in the Cooperative shall be transferable only under the limited conditions hereinafter stated in this Section 6.
- (b) A membership may be transferred by a member to himself or herself and his or her spouse or partner in a civil union under the Colorado Civil Union Act, as the case may be, jointly upon written request of such member and the compliance by such married couple or both partners in a civil union jointly with the provisions of Subdivisions (b) and (c) of Section 1 of this Article. Such transfer shall be made and recorded on the books of the Association, and the membership certificate may be surrendered by the transferor and the certificate may be reissued to and in the name of such joint members.
- (c) When a membership is held jointly by a married couple or by both partners in a civil union, upon the death of either person, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and upon the recording of such death on the books of the Association the certificate may be reissued to and in the name of such survivor; provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Association. Upon the dissolution of marriage of joint members or judicial dissolution of a civil union or declaration of invalidity of a civil union, the joint membership shall terminate and either or both of the parties may apply for a new membership as herein provided. Such termination shall not release either party from debts or liabilities to the Cooperative.
- (d) All members of the Association at the time of adoption of these Bylaws as amended shall remain members.

Section 7. Director Discipline and Removal.

A Director may be removed only in accordance with this section.

7.1 Actions by the Board of Directors:

- (a) Director Discipline. (i) The board of directors may investigate any formal written complaint made about a director filed by another director or by the corporate counsel of Yampa Valley Electric Association, Inc. The board of directors shall maintain confidentiality of records and discussion regarding the complaint to protect personal privacy or safety, or in conformance with law. (ii) The board of

directors shall provide the complaint to the director who is the subject of the complaint as it is received by the board. The director who is the subject of this complaint may provide a written response and evidence within 30 days of receipt of the complaint. (iii) Following investigation, the board of directors shall consider the complaint, the response, and all evidence concerning the complaint. The board of directors (minus the director who is the subject of the complaint and any director(s) filing the complaint) shall render the final decision on the complaint by a majority vote of the quorum present at the meeting held for purposes of deliberation and discussion. While the deliberation and discussion shall be conducted in executive session, the decision shall be announced outside the executive session by a simple statement of the resolution. The director who is the subject of the complaint shall not participate in the board of directors' deliberation or vote on any matter related to the issue. Any director(s) filing the complaint shall not participate in the board of directors' deliberation or vote. Once all evidence is considered, the Board may, by majority vote, institute one or more of the disciplinary measures set forth in Section 7.1(a)(iv) below or may dismiss the complaint. (iv) Disciplinary action may include: (1) a verbal warning; (2) a written reprimand; (3) a reduction in director's privileges; or (4) removal pursuant to subsection (b) of this Section 7.1.

- (b) Removal by the Board. A director may be removed for Cause by a vote of at least five-sevenths (5/7) of the non-affected remaining directors present as a quorum, who are not the subject of nor have filed the current complaint, at a regular or special meeting of the board of directors called for such purpose, provided that a director may not be removed unless a simple majority of the entire board votes in favor of removal. The director shall be informed thereof in writing at least thirty (30) days in advance of the meeting at which such a removal vote is scheduled to take place, and shall have an opportunity to respond, or be heard in person or by counsel, at such meeting.
- (c) Cause Defined. Cause includes: (i) a conviction or judicial determination involving a felony crime after election as a director; (ii) becoming ineligible to serve as a director due to failing to meet the qualifications set forth in Section 2 of Article III; (iii) violation of a Director's fiduciary duty during his/her service as a director; (iv) a violation of board policy; or (v) unacceptable personal conduct bringing disrepute or disparagement to the Cooperative;

7.2 Removal by Members: Any member may bring charges against a director by filing them in writing with the secretary of the Association, together with a petition signed by ten per centum (10 percent) of the members, requesting the removal of the director in question. The removal shall be voted upon by the members of the Association in the manner provided in Article II, Section 8. Any vacancy on the board of directors created by the removal of a director shall be filled by a majority vote of the remaining directors as provided in Section 4 of Article III, but the removed director shall not be eligible to fill the vacancy. The director against whom such charges have been brought shall be informed in

writing of the charges previous to the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity.

ARTICLE II **Meetings of Members**

Section 1. Annual Meeting.

The Annual Meeting of the Members shall be held annually, at such time and place, during each calendar year, in the service area of the Cooperative within Colorado as shall be designated from time to time by the Board of Directors and stated in the Notice of the Meeting, for the purpose of electing Directors, passing upon reports covering the previous fiscal year and transaction such other business as may come before the meeting. Failure to hold the Annual Meeting at the designated time or place shall not work to a forfeiture or dissolution of the Association.

Section 2. Special Meetings.

Special meetings of the members may be called by resolution of the Board of Directors, or upon a written request signed by at least ten per centum (10 percent) of all members and it shall thereupon be the duty of the Secretary to cause such Notice of Meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the service area of the Cooperative, in the State of Colorado, as shall be specified in the Notice of the Special Meeting.

Section 3. Notice of Members' Meeting.

Public notice of the time and place of the holding of each meeting shall be published not less than ten (10) days, nor more than thirty (30) days previous thereto in a newspaper printed in the county where the principal office of the Association is located, and if there be no such newspaper, then in a newspaper printed in an adjoining county. Written or printed notice stating the place, day and hour of the meeting, and in case of a Special Meeting, the purpose or purposes for which the meeting is called, shall also be delivered not less than ten (10) days nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the persons calling the meeting, to each member of record entitled to vote at such meeting. 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 Association, with postage thereon prepaid. The failure of any member to receive notice of an Annual Meeting or Special Meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Quorum.

A quorum for the election of Directors, amending of the Articles of Incorporation, and conducting normal business at all meetings of the members shall be five percent (5 %) of the

members or fifty (50) members present in person, whichever is less. If less than a quorum is present at any meeting of members, a majority of members present in person may adjourn the meeting to a date, time, and place certain. Such adjournment at such meeting constitutes sufficient notice to all of the members of the date, time, and place of the rescheduled meeting of members, and no further notice of such rescheduled meeting shall be made to the membership. The election of Directors shall also be adjourned to such rescheduled meeting, and the ballots of members cast by mail shall remain sealed and be held by the Association for counting by a Teller Committee at the rescheduled meeting.

Section 5. Voting.

Each Entity Member shall designate one person who is an officer, director, partner, manager, trustee, or other similar management individual, to vote on behalf of such Entity Member. The married couple of a joint membership, or both partners in a civil union under the Colorado Civil Union Act holding a joint membership, shall jointly designate one of them to vote on behalf of both such joint members. Each Individual Member and each Entity Member shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the members. The married couple of a joint membership, and both partners in a civil union holding a joint membership, are collectively entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the members. If an Entity Member or Individual Member has more than one electric account with the Association, such Member shall nevertheless be entitled to cast only one (1) vote upon each matter submitted to a vote at a meeting of the members. If either spouse in a joint membership, or either partner in a civil union holding a joint membership, has any other electric account in his or her name or in a business name in the Association, such spouse or partner in a civil union shall nevertheless not be entitled to cast a separate vote by reason of such other account but shall be limited to the one (1) vote allocated to the joint membership, regardless of which spouse or which partner in a civil union is designated to vote on behalf of both joint members. At all meetings of the members at which a quorum is present, all questions and motions shall be decided by a vote of the members present, and the vote of a majority of the votes cast by members present on any question or motion shall constitute the decision of the membership of the Association for all purposes, except in the election of Directors, final adoption of a Member Sponsored Bylaw Amendment Motion, final adoption of a Governing Motion, or any other matter where voting by mail ballot is authorized by the Board of Directors or required under these Bylaws. . For the election of each Director of the Association, the ultimate passage and adoption of a Member Sponsored Bylaw Amendment Motion, the ultimate adoption and passage of a Governing Motion , or any other matter where mail voting is authorized by the Board of Directors or required under these Bylaws, the election shall be decided by a majority of the collective votes cast by mail as permitted under Section 8 of this Article II and the votes cast by the members present at the regular or special meeting of the members at which the matter is under consideration.

Section 6. Proxies.

Proxy and cumulative voting shall be prohibited.

Section 7. Order of Business

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

1. Report on the number of members present in person to determine the existence of a quorum.
2. Appointment of a Teller Committee by the Chairman of the Board of Directors, and directing such Committee to count mail ballots from members.
3. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
4. Reading of the unapproved minutes of the previous meetings of the members and the taking of the necessary action thereon.
5. Presentation and consideration of, and acting upon, reports of officers, directors and committees.
6. Election of directors.
7. Unfinished business.
8. New Business.
9. Adjournment.

Section 7A. Mail Voting Required for Amendments to Bylaws and Member Governing Motions

- (a) No amendment to the Bylaws initiated by a motion and a second by members and not by the board of directors at any annual or special meeting of members under either “unfinished business” or “new business” shall be voted upon by the members present at such annual or special meeting of members where the amendment was initiated, but rather such amendment must be in writing and shall instead conclusively be deemed to be a proposal to be later submitted to the vote of the members by mail ballot pursuant to Section 9 of Article II below, in advance of the annual meeting of members in the next succeeding calendar year. Any such written motion is referred to in these Bylaws as a “Member Sponsored Bylaw Amendment Motion.” The notice of such next succeeding calendar year’s annual meeting of members must contain a copy of the proposed written Member Sponsored Bylaw Amendment Motion including the wording of the proposed Bylaw amendment in accordance with Section 1(a) of Article XIV of these Bylaws. Such notice in such next succeeding year as transmitted by the Association may also contain a short and concise position statement by the board of directors regarding such proposed Member Sponsored Bylaw Amendment Motion; and

- (b) Any motion initiated by a motion and a second by members and not by the board of directors at any annual or special meeting of members under either “unfinished business” or “new business” which is not a motion to amend the Bylaws but which would materially change any of the policies, procedures, practices, or rules and regulations of the Association must be in writing and will be and become effective only if such motion (i) would not be contrary to or inconsistent with the Articles of Incorporation or Bylaws of the Association or the statutes governing the Association, (ii) does not constitute or direct or require the creation of indebtedness of the Association in order to accomplish the purposes of such motion, and (iii) is finally approved by the affirmative vote of the voting members of the Association in two votes, the first being the affirmative vote of a majority of the members present at such annual or special meeting of members at which such motion is initiated, and the second being the affirmative vote of a majority of the members of the Association voting by mail ballot pursuant to Section 8 of Article II below in advance of the annual meeting of members in the next succeeding calendar year. Any such written motion is referred to in these Bylaws as a “Governing Motion.” The notice of such next succeeding calendar year’s annual meeting of members must contain a copy of the proposed Governing Motion. Such notice in such next succeeding year may contain a short and concise position statement by the board of directors regarding such proposed Governing Motion.

Section 8. Mail Voting.

Each member of the Association shall be entitled to vote in the election of Directors except with respect to the filling of vacancies under Section 4 of Article III, and shall also be entitled to vote in the removal of Directors under Section 7 of Article I. The Board of Directors may authorize voting by mail ballot on any matter where such mail balloting is not already required by these Bylaws. In any case, a member may vote at the annual meeting of members, or at a meeting of the members of the Association called for such purpose, or by mail as provided in this Section 8. Mail voting shall be permitted for members in any election of Directors. Where required by these Bylaws or otherwise authorized by the Board of Directors, mail voting shall be in writing on ballots provided by the Association, and the Association shall accompany such ballot with a sealable inner envelope or secrecy sleeve provided by the Association for the purpose of concealing the marking on the ballot (the “Ballot Envelope”), into which the ballot may be inserted, and shall also accompany such ballot with a separate return mailing envelope (the “Mailing Envelope”). The Mailing Envelope shall include a designated location for the signature of the voting member. The mail ballot shall be voted by the member, placed in the Ballot Envelope, and such signed and sealed Ballot Envelope containing the completed mail ballot shall be inserted in the Mailing Envelope. The voting member shall sign such Mailing Envelope, and the signed Mailing Envelope containing the mail ballot shall be mailed to the Association or to an independent third party with whom the Association has contracted for the storage and counting of ballots in accordance with Section 9 of Article II below. If a Mailing Envelope is not signed by the voting member, the marked mail ballot within the unsigned Mailing Envelope shall be void and not counted. A mail ballot

received in a signed and returned Mailing Envelope but without a Ballot Envelope is nonetheless valid and shall be counted.

Section 9. Counting of Mail Ballots.

The board of directors shall, when practicable, arrange for an independent third party to oversee the storage and counting of mail ballots. If this is not practicable, then ballots shall be collected and stored by the Association in a manner that protects the privacy of their content. All candidates for the board of directors shall be given the opportunity to be present to observe the counting of the mail ballots and their tabulation, except that if the Association has contracted with an independent third party to collect and count mail ballots, the mail ballots must be delivered to the Association under seal promptly after the count and, upon the request of any candidate, made available to the candidate for inspection. The Board of Directors may, from time to time, establish procedures not inconsistent with Sections 8 and 9 of this Article II for the distribution, preservation of confidentiality, return, and counting of ballots cast by mail.

ARTICLE III **Directors**

Section 1. General Powers.

The business and affairs of the Association shall be managed by a board of nine (9) directors which shall exercise all of the powers of the Association except such as are by law or by Certificate of Incorporation of the Association or by these Bylaws conferred upon or reserved to the members.

Section 2. Qualification and Tenure.

The persons named as directors in the Certificate of Incorporation of the Association shall comprise the board of directors until the first annual meeting or until their successors shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of directors. The directors of the Association are hereby divided into three classes: the term of office of these of the first class to expire at the Annual Meeting of the Members held in 1977, the term of office of those of the second class, one year thereafter, and those of the third class two years thereafter, at the respective annual meeting of members, provided that such directors shall hold office until their successors are elected and shall have qualified; and at each annual election held after such classification, directors of each class whose terms expire shall be elected for a three year period, and until their successors are elected and qualify; provided, however, that in the event that one or more annual elections shall not be held, the incumbent directors whose terms of office then expired

shall continue in office until the annual meeting of members held the third year thereafter or until their successors shall have been elected and shall have qualified. There shall be three directors of the first class, three directors of the second class and three directors of the third class. Directors for Director Districts Nos. 4, 5, and 7 shall comprise the first class; directors for Director Districts Nos. 2, 3, and 6 shall comprise the second class; and directors for Director Districts Nos. 1, 8, and 9 shall comprise the third class. To become and remain a director, a Person must comply with the following general qualifications:

1. be a member of the Cooperative in his or her individual capacity and not as an authorized representative of a member;
2. have his or her main home (as the term “main home” is defined by the Internal Revenue Service) at a residence within the director district from which the director is nominated or appointed and elected;
3. have received electric service from the Cooperative at a residence located within the director district from which the director is nominated or appointed and elected for a consecutive period of at least three years immediately prior to the date of the person’s election as a director;
4. be a citizen of the United States of America;
5. not have been previously removed as a director of the Cooperative;
6. while a director and during the three years immediately before becoming a director, not be an employee of the Cooperative or an employee of an entity controlled by the Cooperative or in which the Cooperative owns a majority interest (“Cooperative Subsidiary”);
7. if employed by the Cooperative or a Cooperative Subsidiary at any point prior to becoming a director, be eligible for rehire by the Cooperative or Cooperative Subsidiary, respectively;
8. not be a Close Relative of a director whose term would overlap with the person seeking a director seat As use herein, the term “Close Relative” means an individual who: a) through blood, law, or marriage, is a spouse, child, stepchild, father, stepfather, mother, stepmother, brother, stepbrother, half-brother, sister, stepsister, half-sister, grandparent, grandchild, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, or daughter-in-law of a director, or, b) is a member of the same household as a director (collectively, “Close Relative”).
9. while a director and during the three years immediately before becoming a director, not receive or have a Close Relative that receives any income, other than insurance or director compensation income, directly or indirectly from the Cooperative, a Cooperative Subsidiary, or an employee of the Cooperative or a Cooperative

Subsidiary;

10. while a director, not be employed by another director, or be employed by, or receive more than 10 percent of annual gross income from, an entity for which another director controls, owns more than 10 percent, or is a director or officer;
11. while a director and for the three years immediately before becoming a director not be an attorney, auditor, or other professional advisor retained by the Cooperative, or be the spouse or a member of the same household of any attorney, auditor, or other professional advisor retained by the Cooperative;
12. comply with all Cooperative's conflict of interest policies and be free of any continuing and substantial personal interest that is in conflict with the best interests of the Cooperative;
13. except as otherwise provided by the board of directors for good cause, receive a Credentialed Cooperative Director designation, Director's Certificate, or similar designation or certification from the National Rural Electric Cooperative Association within three years of becoming a Director;
14. except as otherwise provided by the board of directors for good cause, attend at least three-quarters of all Board Meetings during each 12-month period;
15. while a director, not hold any elected public office for which the term began after January 1, 2020. As used herein, elected public office shall be limited to any federal, state, county, or municipal elected executive or legislative office for which the jurisdiction effected by the office is wholly or in part within the service territory of the Cooperative. Elected public office shall not include by way of example only any office on a special, water, irrigation, or other similar district; and
16. be able to actively participate in the management of the business and affairs of the Cooperative, including the reasonably competent use of information technology as necessary for communication incident to participation in board meetings and other board duties.

When a membership is held jointly by a married couple or jointly by two partners in a civil union under the Colorado Civil Union Act, either one, but not both, may be elected a director; provided, however, that neither one shall be eligible to become or remain a director or to hold a position of trust in the Association, unless both shall meet the qualifications hereinabove set forth.

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

Section 3. Nominations.

At least seventy-five (75) days before an election for the Board of Directors the Secretary of the Association shall post at the principal office of the Association and shall publish once in a newspaper of general circulation in the area served by the Association, a list of each position on the Board of Directors which is expiring, the district from which each Director is to be elected and instructions for filing a nominating petition.

A nomination for Director may be made only by written petition signed by at least fifteen (15) members of the Association. The nominating petition must be filed at the principal office of the Association no later than sixty (60) days prior to the date of the Annual Meeting at which the election is to be held. Any petition so filed shall designate the name of the nominee and the district to be represented by the nominee. The Secretary shall post the same at the principal office of the Association. Nominations for election as Directors shall be made only in the manner above designated, and nominations from the floor at the Annual Meeting shall not be permitted. In the event that no nominating petitions have been properly made and timely filed, the vacancies occurring shall be filled in accordance with Article III, Section 4 hereof. In the event that no contest has been created by nominating petitions properly made and timely filed and the election of the sole nominees is assured because no other nominations can be made, then in order to save unnecessary expense, the election of Directors shall automatically be dispensed with and the sole nominees shall be deemed elected.

Section 4. Vacancies.

A vacancy in the Board of Directors shall be filled by a majority vote of the remaining Directors, and a Director thus elected shall serve for the unexpired term of the vacancy being filled or until his or her successor shall have been elected and shall have qualified.

Section 5. Compensation.

Directors as such shall not receive any salary for their services, but by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for each day or portion thereof spent on Cooperative business, such as attendance at Board of Directors meetings or at other meetings, seminars and conferences. Except in emergencies, no Directors shall receive compensation for serving the Association in any other capacity, nor shall any close relative of a Director receive compensation for serving the Association, unless such compensation shall be specifically authorized by a vote of the members.

Section 6. Rules and Regulations.

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

Section 7. Accounting System and Reports.

The Board of Directors shall cause to be established and maintained a complete accounting system, which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Electrification Administration of the United States of America. The Board of Directors shall cause to be made a full and complete audit of the accounts, books and financial condition of the Association as of the close of each fiscal year.

Section 8. Indemnification.

The Association shall, to the full extent permitted by law, indemnify each of its officers, directors, employees and agents, whether or not in office, (and his executor, administrator, and heirs), against all expenses actually and necessarily incurred by him, including, but not limited to, judgments, fines, costs and counsel fees, in connection with the defense or settlement or any litigation, including any civil, criminal, or administrative action, suit or proceeding, to which he may have been made a party because he is or was a director, officer, employee or agent of the Association if he acted in good faith and in a manner he reasonably believed to be in the best interest of the Cooperative and with respect to any criminal action or proceeding, had no reasonable cause to think his conduct was unlawful.

Section 9. Limitation of Liability.

No person shall be liable to the Association for any loss or damage suffered by it on account of any action taken or omitted to be taken by him as Director, officer, agent or employee of the Association in good faith, and in a manner he reasonably believed to be in the best interest of the Cooperative.

ARTICLE IV
Meeting of Directors

Section 1. Regular Meetings.

A regular meeting of the Board of Directors shall also be held monthly at such time and place as the Board of Directors may provide by resolution. Regular meetings of the Board of Directors may be held electronically if authorized by the Board of Directors. A Director may participate and vote electronically in any regular meeting of the Board of Directors if authorized by the Board of Directors. Each Director attending any regular meeting of the Board of Directors electronically, whether the regular meeting is held electronically or a director otherwise electronically participates in a meeting as authorized by the Board of Directors, shall be deemed to be present in-person for the purpose of establishing a quorum. Notice of the time and place of a meeting of the Board of Directors and a copy of the agenda for such meeting shall be posted in every service office of the Association at least ten (10) days before the meeting. The agenda shall specifically designate the issues or questions to be discussed, or the actions to be taken, at the meeting. Copies of said agenda shall be available at each service office for members and consumers..

Section 2. Special Meetings.

Special meetings of the Board of Directors may be called by the President or any three (3) Directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place for holding of any special meeting of the Board of Directors called by them. Special meetings of the Board of Directors may be held electronically if authorized by the Board of Directors. A Director may participate and vote electronically in any special meeting of the Board of Directors if authorized by the Board of Directors. Each Director attending any special meeting of the Board of Directors electronically, whether the special meeting is held electronically or a director otherwise electronically participates in a meeting as authorized by the Board of Directors, shall be deemed to be present in-person for the purpose of establishing a quorum. Notice of the time and place of a special meeting of the Board of Directors and a copy of the agenda for such meeting shall be posted in every service office of the Association at least ten (10) days before the meeting or as soon as practicable after the special meeting is scheduled, whichever is shorter.

Section 3. Notice.

Notice of time, place and purpose of any special meeting of the Board of Directors shall be given at least two (2) days previous thereto, by written notice delivered personally, or by mail, or electronically to each Director at his last known address. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except in case a Director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. Quorum.

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

Section 5. Manner of Acting.

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

ARTICLE V **Officers**

Section 1. Number.

The officers of the Association shall be a Chairman of the Board, one or more Vice Chairmen of the Board, a President, one or more Vice Presidents, 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 Treasurer may be held by the same person.

Section 2. Election and Term of Office.

The officers including the Chairman and Vice Chairmen of the Board of Directors shall be elected, by ballot or by voice if only one candidate has been nominated for such office, annually by the Board of Directors held after the time set for each Annual Meeting of the Members. The Chairman and Vice Chairman shall be members of the Board of Directors. Other officers may be, but shall not be required to be, members of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the time set for the next succeeding Annual Meeting of the Members, or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of officers.

Section 3. Removal.

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

Section 4. Vacancies.

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

Section 5. Chairman of the Board of Directors.

The Chairman of the Board of Directors shall preside at all meetings of the members and of the Board of Directors and shall perform all duties incident to the office of Chairman and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice Chairman of the Board of Directors.

The Vice Chairman of the Board of Directors shall perform the duties of the Chairman in the absence of the Chairman, in such order of succession as shall be determined by the Board of Directors from time to time.

Section 7. President.

The President

- (a) shall be the principal executive officer of the Association;

- (b) may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Association, or shall be required by law to be otherwise signed and 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 8. Vice President.

In the absence of the President, or in the event of his inability to act, the Vice President or if more than one then any Vice President designated by the President, shall perform the duties of the President, and when so acting, shall have all the power of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned to him by the President.

Section 9. Secretary.

The Secretary shall

- (a) keep the minutes of the members and the Board of Directors in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Association and see that the seal of the Association is affixed to all documents, the execution of which is on behalf of the Association under the seal duly authorized in accordance with the provisions of these Bylaws;
- (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member;
- (e) have general charge of the books of the Association in which the record of the members is kept;
- (f) keep on file at all times a complete copy of the Bylaws of the Association containing all amendments thereto, which copy shall always be open to the inspection of any member; and
- (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President.

Section 10. Treasurer.

The Treasurer shall

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

Any of the duties of the respective officers may be delegated to such other officers, assistants and employees as the Board of Directors shall determine.

Section 11. Manager.

The Board of Directors may appoint a Manager who may be, but who shall not be required to be, the President of the Association. The Manager shall perform such duties as the Board of Directors may from time to time require of him and shall have such authority as the Board of Directors may from time to time invest in him. He shall have authority to hire, assign, promote, discharge and discipline other employees of the Association.

Section 12. Bonds of Officers and Employees.

The Cooperative shall obtain blanket fidelity bond coverage of officers and employees of the Cooperative.

Section 13. Compensation.

The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Directors subject to the provisions of these Bylaws regarding compensation of Directors and close relatives of Directors.

Section 14. Reports.

The officers of the Association shall submit at each Annual Meeting of the Members, reports covering the business of the Association for the previous fiscal year and showing the condition of the Association at the close of such fiscal year.

ARTICLE VI
Contracts, Checks and Deposits

Section 1. Contracts.

Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Association, 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 evidence of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents, employee or employees of the Association and in such manner as shall be from time to time determined by resolution of the Board of Directors.

Section 3. Deposits.

All funds of the Association shall be deposited from time to time to the credit of the Association in such bank or banks, savings and loan associations, National Rural Utilities Cooperative Finance Corporation, United States Government obligations, or other insured depositories, or invested in rural development projects and organizations which will, in the opinion of the majority of the Board of Directors benefit the Association, as the Board of Directors may select.

ARTICLE VII **Membership Certificates**

Section 1. Certificate of Membership.

Membership in the Association may be (but shall not be required to be) evidenced by a certificate of membership which may be in such form and may contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Certificate of Incorporation of the Association or these Bylaws. Such certificates of the Association shall be signed by the Manager or Secretary of the Association. Facsimile signatures may be used on such certificates.

Section 2. Issuance of Membership Certificates.

After a person, firm, corporation, body politic or other legal entity has become a member of the Association pursuant to Article I, a certificate of membership shall be issued to such member but only when requested in writing from such member. Such certificate shall not be assignable or transferable except pursuant to the provisions of Section 6 of Article I of these Bylaws.

Section 3. Lost Certificate.

In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Association as the Board of Directors may prescribe.

ARTICLE VIII
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 patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

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

In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for amounts received and receivable from the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative may (but shall not be required to) notify each patron after the end of such fiscal year of the amount of capital so credited to this account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts of capital.

Except as provided in Section 3 hereof, all other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided. Such allocation from operations other than the furnishing of electric energy shall not be made on an accrual basis but shall only be made with respect to amounts actually received by the Cooperative. Capital credit allocations from other cooperatives of which the Association is a member shall be allocated to the patrons of the Cooperative only as and to the extent cash or property is actually received by the Association for such capital credit allocations.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall

determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. The Cooperative shall deduct and retain from payment to a patron of retired capital credits all monies owed by such patron to the Cooperative at that time, together with accrued interest on such owed amount. The Board of Directors shall determine the method, basis, priority and order of making such retirements. The Board shall have the power to adopt rules providing for the separate retirement of capital credits from affiliated organizations. The Board of Directors shall also have the power, exercisable in its sole discretion, to retire all or a portion of the capital credit of patrons prior to the time such capital would otherwise be retired under the provision of these bylaws or the policies of the Board of Directors, on a discounted and fair value basis, upon such terms and conditions as the Board of Directors shall adopt, provided that the financial condition of the Cooperative will not be impaired. The discounted portion of the capital credit of a patron which is not paid to such patron, after debiting any monies then owed by such patron to the Cooperative, shall conclusively be deemed donated to, and retained by, the Cooperative and shall not thereafter be reassigned to any member, patron or person. Any policy of the Board to retire the capital credit of patrons and implement the foregoing provisions of these bylaws shall be applied in a non-discriminatory fashion within each separate class of members, but may be different for different classes of members.

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

Notwithstanding any other provision of these Bylaws, the Board of Directors, in its sole discretion, shall have the power to retire the capital credit of a deceased patron who was a natural person at any time after the death of such patron and prior to the time such capital would otherwise be retired under the provision of these bylaws or the policies of the Board of Directors, upon such terms and conditions as the Board of Directors shall adopt, provided that the financial condition of the Cooperative will not be impaired thereby. No capital credit of a deceased patron shall be retired early unless an heir or legal representative of the deceased patron has requested such retirement in writing to the Cooperative. If such written request is made to the Cooperative, the Cooperative shall retire the capital credit of a deceased patron to the estate or heirs of the deceased patron on a discounted and fair value basis. The Cooperative shall deduct and retain from such payment all monies owed by the deceased patron to the Cooperative at that time, together with accrued interest on such owed amount. The discounted portion of the capital credit of such deceased patron which is not paid by the Cooperative, after the retirement of a portion thereof on a discounted and fair value basis, shall be deemed donated to, and retained by, the Cooperative and shall not thereafter be reassigned to any patron or member or person. Any policy of the Board to retire the capital credit of deceased patrons and implement the foregoing provisions of these bylaws shall be uniform and applied in a non-discriminatory fashion to the capital accounts of deceased patrons.

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

bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

Certain retired patronage capital credits may go unclaimed by members. Bookkeeping and accounting maintenance of unclaimed refunds of patronage capital credits for such patrons or past patrons is burdensome and costly to the Cooperative. The failure by a patron or past patron to assert a claim for such credits constitutes evidence of intent to abandon such credits.

Any retired patronage capital credit which remains unclaimed by a patron or past patron for three years after being published in a newspaper of general circulation within the service area of the Cooperative or tendered in the form of a negotiable instrument, sent by first class mail addressed to such patron or past patron at his/her/its last known address shall be conclusively deemed abandoned and forfeited to the Cooperative and belongs to the Cooperative. The Board may direct, in its discretion, the use of such funds.

Section 3. Patronage Refunds in Connection with Furnishing Other Services.

In the event that the Cooperative should engage in any business activity other than the furnishing of electric energy, all amounts actually received from such activity which are in excess of costs and expenses and appropriate reserves properly chargeable against the activity shall, insofar as permitted by law, be (a) used to offset any losses incurred in such activity during the current or any prior fiscal year, and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided. Such allocation from such business activity other than the furnishing of electric energy shall not be made on an accrual basis but shall only be made with respect to amounts actually received by the Cooperative. Capital credit allocations from other cooperatives of which the Association is a member shall be allocated to the patrons of the Cooperative only as and to the extent cash or property is actually received by the Association for such capital credit allocation.

Section 4. Property Interest of Members.

Upon dissolution, after

- (a) all debts and liabilities of the Cooperative are 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 filing of the Certificate of Dissolution.

Section 5. Administrative Service Charges.

The Cooperative retires and has previously retired from time to time certain patronage capital credits of its patrons. Some checks tendered in payment of retired patronage capital credits to certain patrons and past patrons have been and are expected in the future to be returned or otherwise to remain unclaimed. Such unclaimed refunds of patronage capital credits are held by the Cooperative for a period of time in accordance with these bylaws for claim by such patrons or past patrons to whom such credits have been allocated, until otherwise abandoned or forfeited as may elsewhere be provided in these bylaws. Bookkeeping and accounting maintenance of unclaimed refunds of patronage capital credits for patrons or past patrons is burdensome and costly to the Cooperative. Therefore, the Cooperative hereby imposes an annual administration fee on the unclaimed patronage capital credits of all patrons or past patrons who have failed to claim or negotiate payment of retired patronage capital credits for more than one (1) year after the refund was mailed, in the amount of five and no/100 dollars (\$5.00) per year. Said annual administration fee shall be a set-off against the unclaimed patronage capital credits and shall be credited annually to the Cooperative in reduction of the unclaimed patronage capital credits.

ARTICLE IX **Waiver of Notice**

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

ARTICLE X **Disposition of Property**

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

- (a) property which in the judgment of the Board of Directors neither is nor will be necessary or useful in operating and maintaining the Association's system and facilities; provided, however, that all sales of such property shall not, in any one (1) year, exceed in value ten per centum (10 percent) of the value of all the property of the Association;
- (b) services of all kinds including electric energy; and,
- (c) personal property acquired for resale; unless such sale, lease or other disposition is authorized at a meeting of the members by the affirmative vote of at least two-thirds (2/3) of the members voting thereon at such meeting in person or by mail, or by the affirmative vote of a majority of the members voting thereon in person or by mail in the event that a majority of the total membership shall vote, and the

notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting. Each member of the Association shall be entitled to vote concerning this matter either in person or by mail in the manner provided by Article II Section 8 of these bylaws.

The terms "sell, lease or otherwise dispose of" as used in this Article shall not include the execution and delivery of mortgages or deeds of trust upon, or the pledging of or encumbering of any and all of the property, assets, licenses, franchises, permits or other things of value of the Association whether acquired or to be acquired and wherever situated, including any revenues and income therefrom. The Board of Directors shall have full power and authority to borrow money and mortgage and otherwise encumber all said property of the Association without authorization of the members.

ARTICLE XI **Fiscal Year**

The fiscal year of the Association shall be determined from time to time by resolution of the Board of Directors.

ARTICLE XII **Membership in Other Organizations**

The Cooperative shall not become a member of any other organization without the affirmative vote of the Board of Directors.

ARTICLE XIII **Seal**

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

ARTICLE XIV **Amendments**

Section 1.

These Bylaws may be amended by the affirmative vote of a two-thirds majority of the Directors participating at any regular or special meeting of the Board of Directors, provided that at least thirty (30) days prior to taking action thereon the Association either (i) delivers written notice to each Member of the proposed amendment or (ii) publishes notice of the proposed amendment in a newspaper of general circulation printed in the county where the principal office of the Association is located. The Association may satisfy the notice requirement of this Section 1 by publishing notice of any proposed amendment in a magazine published by the Colorado Rural Electric Association of general circulation to the Members. Notice as required by this Section 1 shall provide notice:

- (a) Of the time and place of the meeting at which the Board will vote on the proposed amendments.
- (b) That the language of the proposed amendments is available on the Association's website for review or will be provided to Members upon request.

The failure of any member to receive notice as provided in this Section 1 shall not invalidate any action which may be taken by the Board with respect to the proposed amendments that were the subject of such notice.

Section 2.

In addition to the power and authority of the Board of Directors to adopt amendments to these Bylaws under Section 1 above, the Board of Directors may also sponsor or propose alterations and amendments to these Bylaws to be submitted to a vote of the members present at a regular or special meeting of members and the members voting by mail ballot, where such voting is required or otherwise authorized by the Board of Directors under these Bylaws, provided that the notice of such member meeting shall have contained a copy of the proposed Bylaw amendment. Such amendments may be approved by the affirmative vote of a majority of members present and voting at any regular or special meeting of members and the members voting by mail ballot.

ARTICLE XV
Miscellaneous

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

ARTICLE XVI
Directors Districts

The area served by the Association is hereby divided into nine (9) districts.

District One shall consist of the area served by the Association in the State of Wyoming and that portion of Moffat County, Colorado, served by the Association north of Township 9 North and that portion of Routt County, Colorado, north of Township 10 North.

District Two shall consist of that portion of Moffat County, Colorado, served by the Association north of Township 6 North and south of Township 10 North and including the City of Craig, Colorado.

District Three shall consist of the City of Craig, Colorado.

District Four shall consist of the City of Craig, Colorado and that portion of Moffat County, Colorado, served by the Association south of Township 7 North, and that portion of Rio Blanco County, Colorado, served by the Association in Township 3 North, Range 90 West of the 6th Principal Meridian and in Township 3 North, Range 91 West of the 6th Principal Meridian.

District Five shall consist of that portion of Routt County, Colorado, south of Township 11 North and west of Range 86 West of the 6th Principal Meridian and that portion of Rio Blanco County, Colorado, served by the Association in Township 3 North, Range 87 West of the 6th Principal Meridian.

District Six shall consist of that portion of Routt County, Colorado, located north of Township 5 North, and south of Township 11 North, and east of Range 87 West, all of the 6th Principal Meridian, but excepting and excluding from said portion that part of Township 6 North, Range 84 West, lying south of the north line of Sections 31 through 36, inclusive, of Township 6 North, Range 84 West, all of the 6th Principal Meridian, BUT plus and together with all of the City of Steamboat Springs, Colorado.

District Seven shall consist of the City of Steamboat Springs, Colorado.

District Eight shall consist of the City of Steamboat Springs and that portion of Township 6 North, Range 84 West of the 6th Principal Meridian lying south of the north line of Sections 31 through 36, inclusive of Township 6 North, Range 84 West of the 6th Principal Meridian; and Township 5 North, Range 84 West; Township 5 North, Range 85 West; Township 5 North, Range 86 West of the 6th Principal Meridian.

District Nine shall consist of that portion of Routt County, Colorado south of Township 5 North and east of Range 87 West of the 6th Principal Meridian, and those portions of Eagle, Summit and Grand Counties of Colorado served by the Association, and that portion of Township 3 North, Range 86 West of the 6th Principal Meridian in Rio Blanco County served by the Association.

Hereafter Directors shall be elected or appointed as representatives of the various Districts above enumerated and Directors shall reside in the District for which they are elected or appointed. One Director shall be elected or appointed from each of the nine (9) Districts.

ARTICLE XVII **Set-Off and Lien and Security Interest**

To secure the payment of any and all indebtedness of any member, consumer or other legal entity, this Association shall have a first lien upon the capital investments, capital credits, net margins, construction deposits, and any other property rights and interest in the Association of such member, consumer or other entity. All such members, consumers or other entities of the Association hereby grant a first lien on all deposits, capital credits, capital investments, patronage refunds and other property or funds of the member, consumer or other entity held by the Association to secure payment of all indebtedness of such member, consumer or other entity

to the Association. The first lien and security interest shall be perfected by possession of the collateral by the Association under the uniform commercial code. The Articles of Incorporation, Bylaws, tariffs and rules and regulations of the Association shall constitute a security agreement under the uniform commercial code. The amount of any such lien and security interest may, at the sole option of the Association, be set-off at any time against any funds to be paid any such member, consumer or other entity by the Association.

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