

# Notice of Proposed Amendments

## to the By-Laws of Central Electric Cooperative, Inc.

### Explanation of Proposed Amendments

This insert outlines proposed amendments to the Bylaws that members will be asked to vote on at the **2020 Annual Meeting of Central Electric Cooperative on April 6, 2020.**

Recommendations for changes were discussed in length by the Board of Directors, leadership team, and legal counsel after completing a review of the By-Laws in its entirety. The last update to the By-Laws was voted on in 2013.

The proposed amendments this year are a portion of the recommendations discussed. Additional portions of the amendments will be presented at future Annual Meetings in order to give the amendments the appropriate attention.

A summary of the proposed amendments for 2020 follows. Additional information regarding the amendments will be provided at the Annual Meeting.

### Summary

#### Article II - Membership

- 2.01 – Update the list of organizations that can become members of the cooperative.
- 2.02 - Remove language stating the cooperative will issue membership certificates.
- 2.04 – Allow any two people to become joint members.

- 2.06 – Allow member-owned renewable energy systems and require compliance with applicable codes, regulations, etc.
- 2.10 – Remove this section requiring the cooperative to provide a membership list.

#### Article IV - Board of Directors

- 4.07 – Clarify when director terms start.
- 4.10 – Allow the board the option to wait until the next election to fill board vacancies.
- 4.11 – Remove reference to insurance and benefits as part of board compensation.
- 4.14 – Allow for board members to participate in a meeting electronically.
- 4.29 – States the board has the responsibility to hire the General Manager/CEO.

#### Article V - Non-Profit and Cooperative Operations

- 5.03 – No change to the intent of this article. Clarify the retirement process for capital credits to a non-natural member in the event of dissolution or liquidation.

The Board of Directors and leadership team support the proposed revisions and encourage you to vote in favor of these changes. If you have questions about these revisions or would like further clarification of the revisions, please contact the cooperative.



# Proposed Changes

## to the Central Electric Cooperative By-Laws

**Overstricken words in red** are proposed to be deleted and **underlined words in blue** are proposed to be added. Following each section is an explanation of the proposed changes and additions

*in italics* for your review.

To review a complete copy of the current By-Laws, visit [www.centralec.coop](http://www.centralec.coop) or contact our office at **800-477-2892** or **605-996-7516**.

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- Adds Section 4.29 in Article IV and updates the following sectional numbering.*

## Article II - Cooperative Membership

**Section 2.01. Membership Eligibility.** Any (1) natural person, (2) partnership firm, (3) limited partnership association, (4) limited liability partnership corporation, (5) limited liability limited partnership business trust, (6) estate partnership, (7) trust limited liability company, (8) association state, state agency, or state political subdivision, (9) corporation, the United States of America, or any federal agency or federal political subdivision, or (10) limited liability company, (11) organization or other business entity, or (12) federal, state or tribal agency, political subdivision thereof other body politic (collectively, “Person”) as required or allowed by Law, using, receiving, or purchasing electric energy furnished by Central Electric Cooperative Association (“Cooperative”), is eligible to become a Member. A business entity such as those listed in (2), (3), (4), (5), (8), (9), (10), (11) and (12) above shall be considered entitled to a Membership provided such business entity is authorized, chartered, and recognized by the applicable governmental authority to conduct business in the Cooperative’s assigned service territory as defined by law.

No Person may hold more than one (1) Cooperative membership. Unless required by Law or otherwise provided in these Bylaws, no Cooperative membership, and no right or privilege associated with Cooperative membership, may be sold, purchased, assigned, or otherwise transferred.

*The additions and deletions update the types of organizations that can become members of the cooperative.*

**Section 2.02. Automatic Membership.** Upon requesting the use of electric energy from the Cooperative, and the Cooperative agreeing to provide the same, and subject to the provisions of these Bylaws, the Person whose name the electrical service (“Service”) is registered automatically becomes a Member of the Cooperative effective the date the Service is registered in the Person’s name.

The Cooperative will send a letter to all new Members notifying them of such membership, which will include a copy of these Bylaws or any amendments thereto.

~~The Cooperative may issue membership certificates to each Member in a manner, method, and form determined by the Board.~~

*Removes language that the cooperative may issue membership certificates. Issuing membership certificates is no longer in practice at the cooperative.*

**Section 2.04. Joint Membership.** ~~As provided in this Bylaw, a husband and wife principally residing at the same location may become joint members in the Cooperative~~ A natural person Member may apply at any time for the conversion to a joint membership limited to two (2) natural persons only, principally residing in the same location (“Joint Membership”).

*These changes allow any two people to become joint members, not just a husband and wife. This will be helpful for brothers, father/son, uncle/nephew, business partners, etc. who would like to jointly hold an account.*

**Section 2.06. Purchase of Electric Energy.** As required or allowed by Law, and unless otherwise specified in writing by the Board, each Member shall use, receive, or purchase electric energy from the Cooperative. Each Member shall comply with, and abide by, any policy, program, rule, procedure, or other determination promulgated by the Board regarding the provision of electric energy to the Member.

A. Payments to Cooperative. At prices, rates, or amounts determined by the Board, and in a manner specified by the Cooperative, each Member shall pay the Cooperative for all:

1. Electric energy and/or other Cooperative services used, received, or purchased by the Member or at, or for, any dwelling or structure owned, controlled, or directly occupied by the Member; and

2. Dues, assessments, fees, deposits, contributions, or other amounts required by Law, these Bylaws, or the Board.

**B. Interest and Late Payment Fees.** As determined by the Board, Members shall pay interest and late payment fees for all amounts owed, but not timely paid, to the Cooperative. Notwithstanding the Cooperative's accounting procedures, the Cooperative may apply all amounts paid by any Member to all of the Member's accounts on a pro rata basis, or as otherwise determined by the Board.

**C. Reduction in Electric Energy Purchases/Co-Generation.** As required or allowed by Law, and as determined by the Board:

1. If a Member substantially reduces or ceases the Member's use, receipt, or purchase of electric energy, either singly or in combination; then
2. The Cooperative may charge the Member, and the Member shall pay the Cooperative, the reasonable costs and expenses incurred by the Cooperative in relying upon the Member's pre-reduction or pre--ceasing use, receipt, or purchase of electric energy.

2.3. If a Member has a co-generation device/system producing electric energy on the Member's premises, regardless of the source thereof, by means of the facilities which shall be interconnected with the Cooperative facilities, the co-generation device/system shall be subject to appropriate regulations as established by applicable law, building codes and Cooperative policies.

*Allows member-owned renewable energy systems and requires compliance with applicable codes, regulations, etc.*

~~Section 2.10. (Reserved) Membership List. The Cooperative, or the Cooperative's agent, shall~~

~~maintain a record of current Members in a form permitting the Cooperative to:~~

- ~~1. Alphabetically list the names and addresses of all Members; and~~
- ~~2. Indicate the number of votes each Member is entitled to cast ("Membership List").~~

~~Upon five (5) business days' prior written notice or request and:~~

- ~~1. At a reasonable time and location specified by the Cooperative, a Member may inspect and copy the names and addresses included in the Membership List; or~~
- ~~2. If reasonable, as determined by the Cooperative, and upon a Member paying the Cooperative a reasonable charge determined by the Cooperative covering the Cooperative's labor and material cost of preparing and copying the Membership List, the Cooperative shall provide to the Member a copy of the names and addresses included in the Membership List if, and to the extent that:~~

~~(a) The Member's demand is made in good faith and for a proper purpose;~~

~~(b) The Member describes with reasonable particularity the Member's purpose for inspecting or copying the Membership List; and~~

~~(c) The Membership List is directly connected with the Member's purpose. Without the Board's consent, however, a Member may not inspect, copy, or receive a copy of, the names and addresses included in the Membership List for any purpose unrelated to the Member's interest as a Member.~~

*Removes the section requiring the cooperative to provide a Membership List to any requesting member to better secure member information.*

## Article IV - Board of Directors

**Section 4.07. Director Terms.** A Director's term is three (3) years ("Director term"). A Director elected at ~~the Annual a~~ District Meeting or at the

Annual ~~Member~~ Meeting will be seated as a Director at the commencement of the first Regular Monthly Board Meeting following the Annual Member

~~Meeting following the adjournment of the recessed portion of the first Regular Monthly Board Meeting following the Annual Member Meeting and will terminate with the adjournment of the recessed portion of the first Regular Monthly Board Meeting following the Annual Member Meeting.~~ The Cooperative shall stagger Director terms by dividing the total number of authorized Directors elected from the Director Districts into three (3) groups of three (3) Directors each. Members thereafter will annually elect one (1) Director group. Decreasing the number of Directors or length of Director terms may not shorten an incumbent Director's Director term. Despite the expiration of a Director term, the Director continues to serve until a new Director is elected, or until the number of Directors is decreased. Unless otherwise provided in these Bylaws, the Director term of a Director filling a vacant Director's position is the remaining unexpired Director Term of the vacant Director's position.

*Clarifies when director terms begin.*

Section 4.10. Director Vacancy. Unless otherwise provided in these Bylaws:

A. The Board shall fill any vacant Director position unless such vacancy occurs within six (6) months of the termination date of the Director term, in which case the Board may elect not to fill the position, and such vacant Director position shall be filled by an election at the next Director District Meeting for such vacant Director position, or at the next Annual Meeting if it is the Director-at-large position which is vacant; and

B. Any Director ~~elected~~ appointed by the Board to fill any vacant Director position shall serve until either the next Director District meeting for a Director from one (1) of the eight (8) Director Districts or until the next ~~annual~~ Annual meeting for the Director-at-large, at which time the Members shall elect a new Director to fill the previously vacant Director position.

An individual elected to fill a vacant Director position must comply with the Director Qualifications. As used in this Bylaw, "vacant Director

position" and "Director vacancy" do not include Director positions vacated due to an expired Director Term.

*Allows the Board of Directors to wait to fill any director vacancy if the vacancy occurs within 6 months of an election by the membership.*

Section 4.11. Director Compensation. ~~As allowed by Law and the Articles, t~~ The Cooperative may reasonably reimburse and ~~compensate, or provide benefits, to include insurance, to~~ Directors. The Board shall determine the manner and method of any reasonable Director reimbursement and ~~compensation, or benefits.~~

*Removes reference that the Board of Directors may receive insurance or other benefits as part of compensation. This is not part of Director compensation.*

Section 4.14. Board Meetings and Director Voting. The Board shall regularly meet at the date, time and location determined by the Board ("Regular Board Meeting"). Upon a majority vote of the Directors held prior to a Regular Board or Special Board Meeting, a Director may attend a Regular or Special Board Meeting by electronic means. Unless otherwise required by these Bylaws, the Board may hold Regular Board Meetings without notice. For good cause, the President may change the date, time or location of any Regular Board Meeting.

Any Director not attending any Board Meeting at which the Regular Board Meeting date, time or location is changed is entitled to receive notice of the Regular Board Meeting change at least five (5) days before the next Regular Board Meeting. All Directors are entitled to receive notice of a President's change in a Regular Board Meeting date, time, or location at least five (5) days before the changed Regular Board Meeting.

*Allows for Directors to participate in meetings by electronic means.*

Section 4.29. Manager/Chief Executive Officer. The Board shall retain a Manager who may be, but who shall not be required to be, a Member of



the Cooperative. This individual may also be designated as a Chief Executive Officer. The person so retained shall perform such duties and shall exercise such authority as the Board may, from time to time, vest in him/her.

Section 4.2930. Officer Resignation and Removal. At any time, any Required Officer may resign by delivering to the Cooperative an oral or written resignation. Unless the resignation specifies a later effective date, an Officer resignation is effective when received by the Cooperative. If an Officer resignation is effective at a later date, then the Board may fill the vacant Officer position before the later effective date, but the successor Officer may not take office until the later effective date. At any time, the Board may remove any Officer whenever, in its judgment, the best interests of the Cooperative will thereby be served.

Section 4.3031. Officer Standard of Conduct. Every Officer shall discharge the Officer's duties:

1. In good faith;

2. With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and

3. In a manner the Officer reasonably believes to be in the Cooperative's best interests.

Section 4.3132. Authority to Execute Documents. On the Cooperative's behalf, any two (2) Required Officers may sign, execute, and acknowledge any document properly authorized or approved by the Board or Members. The Board may authorize additional Cooperative Directors, Officers, employees, agents, or representatives to sign, execute, and acknowledge any document on the Cooperative's behalf.

Section 4.3233. Indemnification of Officers, Directors, Employees, and Agents; Insurance.

*Adds a section clearly defining that the Board of Directors have the responsibility to hire the General Manager/CEO, which is currently the practice, and updates the following section numbers.*

## Article V - Non-Profit and Cooperative Operation

Section 5.02. Allocating and Crediting Capital. In operating the Cooperative:

A. Patron. A Cooperative patron is a:

1. Member who: Uses, receives, or purchases electric energy; and
2. Is entitled to an allocation of, and payment by credit to a Capital account for, Capital Credits and Affiliated Capital Credits (collectively, "Patron").

B. Capital Credits. Patrons shall furnish, and the Cooperative shall receive, as capital ("Capital") all funds and amounts received by the Cooperative from Patrons for the Cooperative's providing of electric energy that exceeds the Cooperative's costs and expenses of providing the same ("Operating Margins"). The Cooperative shall annually allocate to each Patron, and pay by credit to a Capital account for each Patron, Operating Margins from the sale of electric energy in proportion to the value or quantity

of the electric energy used, received, or purchased by each Patron during the applicable fiscal year ("Capital Credits").

C. Affiliated Capital Credits. The Cooperative may separately allocate the credit to Patrons, capital allocated and credited to the Cooperative by any organization furnishing services, supplies, or products to the Cooperative ("Affiliated Capital Credits"):

1. In proportion to the value or quantity of each service, supply, or product furnished by the organization that is used, received, or purchased by each Patron; and
2. If the Cooperative determines, and separately identifies, the Affiliated Capital Credits.

D. Non-Operating Margins. Funds and amounts, other than Operating Margins, received by the Cooperative that exceed the Cooperative's costs and

expenses (“Non-Operating Margins”) may be:

1. Allocated as Capital Credits to Patrons in the same manner as the Cooperative allocates Capital Credits to Patrons; or
2. Used by the Cooperative as permanent, non-allocated capital.

E. Assignment and Notification. Unless otherwise determined by the Board or provided in these Bylaws, Capital Credits and Affiliated Capital Credits may be assigned by a Patron pursuant to written instructions 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. The Cooperative shall annually notify each Patron of the dollar amount of Capital Credits or Affiliated Capital Credits allocated or credited to the Patron during the applicable fiscal year. Provided that individual notices of such amounts furnished by each Patron shall not be required if the Cooperative notifies all Patrons of the aggregate number of such excess and provides a clear explanation of how each Patron may compute and determine for himself a specific amount of capital so credited to him.

~~F. Joint Memberships. Upon the termination, conversion, or alteration of any Joint Membership, and upon the Cooperative receiving written notice and adequate proof of the same, if the termination or conversion results through the death of one (1) Joint Member, the Cooperative Joint Membership termination, conversion or alteration: For any Joint Membership:-~~

~~1. Termination or converted through the death of one (1) Joint Member, the Cooperative shall reallocate and recredit to the surviving Joint Member all Capital Credits and Affiliated Capital Credits previously allocated and credited to the Joint Membership. If the Joint Membership was otherwise terminated or converted, ; and~~

~~2. 1. Otherwise terminated or converted, and unless otherwise instructed by a court or administrative~~

body of competent jurisdiction, the Cooperative shall reallocate and recredit to each Joint Member one-half (1/2) of the Capital Credits and Affiliated Capital Credits previously allocated and credited to the Joint Membership.

### Section 5.03. Retiring and Refunding

Capital Credits. At any time prior to the Cooperative’s dissolution or liquidation:

1. The Board may authorize the Cooperative to, and the Cooperative shall, wholly or partially retire and refund Capital Credits to Patrons and former Patrons; or
2. After an organization furnishing services, supplies, or products to the Cooperative retires and refunds capital to the Cooperative, the Board may authorize the Cooperative to, and the Cooperative shall, retire and refund the corresponding Affiliated Capital Credits to Patrons and former Patrons.

~~3. To secure payment of any amounts owed by a Patron or former Patron, including reasonable interest and late payment fee, the Cooperative may, in a manner allowed by law, have a security interest in the Capital Credits and Affiliated Capital Credits of every Patron and former Patron. The Cooperative has a priority security interest in the Capital Credits or Affiliated Capital Credits of every Member or Patron to the extent of any debt due and owing the Cooperative. After perfection in a manner allowed under the Uniform Commercial Code as adopted in the State of South Dakota, the Cooperative may enforce the security interest and set off the debt from the accrued Capital Credits or Affiliated Capital Credits of the Member or Patron. The debt secured by such Capital Credits includes the unpaid bill, any reasonable interest and late payment fee as determined by the Board. Before retiring and refund any Capital Credits, any amounts owed to the Cooperative by the Member or Patron, including any reasonable interest and late payment fee as determined by the Board. A Member or Patron is deemed to have consented to the security interest of the Cooperative at the time~~

the electric service was provided and initially billed to the Member or Patron.

4. Each Patron agrees that:

Neither capital Credits, Affiliated Capital Credits, nor similar amounts are securities under state or federal law; A Patron's right to receive Capital Credits, Affiliated Capital Credits, or similar amounts vests, accrues, and becomes payable only upon the Cooperative retiring or refunding the Capital Credits, Affiliated Capital Credits, or similar amounts as provided in these Bylaws, and not upon the Cooperative allocating or crediting the Capital Credits, Affiliated Capital Credits, or similar amounts.

5. If any patron or former patron fails to claim any retirement of Capital Credits, Affiliated Capital Credits, or any other payment from the Cooperative within six (6) years after payment of the same has been made available to the Patron or former Patron by check mailed to the Patron or former Patron at the Patron's or former Patron's last mailing address furnished by the Patron or former Patron to the Cooperative, such Credits or payments shall be deemed to be irrevocably assigned and given to the Cooperative and shall thereafter be retained by the Cooperative as non-allocated capital.

~~3-~~6. The Board shall determine the manner and method of retiring and refunding Capital Credits and Affiliated Capital Credits. Upon the death of any natural person Patron or former natural person Patron ("Deceased Patron"), but not upon the cessation of existence of any non-natural person Patron or non-natural person former Patron, and pursuant to a written request from the Deceased natural person Patron's legal representative, the Board may retire the Deceased natural person Patron's Capital Credits and/or Affiliated Capital Credits under terms and conditions agreed upon by the Deceased natural person Patron's legal representative and the Cooperative, provided that the financial condition of the Cooperative will not be impaired thereby.

~~The Board shall determine the manner and method of retiring and refunding Capital Credits and Affiliated Capital Credits.~~

~~Upon the death of any natural person Patron or former Patron ("Deceased Patron"), and pursuant to a written request from the Deceased Patron's legal representative, the Board may retire the Deceased Patron's Capital Credits and Affiliated Capital Credits under terms and conditions agreed upon by the Deceased Patron's legal representative and the Cooperative.~~

~~Before retiring and refunding any Capital Credits or Affiliated Capital Credits, the Cooperative may deduct from the Capital Credits or Affiliated Capital Credits any amounts owed to the Cooperative by the Patron or former Patron, including any reasonable interest, and late payment fee, determined by the Board.~~

*These additions and deletions clarify the retirement process for capital credits to a non-natural member in the event of dissolution or liquidation. There is no change to this intent of this Article.*