



BY-LAWS

OF

ILIAMNA-NEWHALEN-NONDALTON

ELECTRIC COOPERATIVE, INC.

ARTICLE I MEMBERSHIP

Section 1. Requirements for Membership

Any person, firm, association, corporation, or body politic, or subdivision thereof, may become a member of the INN ELECTRIC COOPERATIVE, INC., by:

- (a) Making a written application for membership therein and agreeing to provide the Cooperative with reasonable right-of-way, as may be required, as a condition of service;
- (b) Agreeing to purchase from the Cooperative electric energy as hereinafter specified;
- (c) Agreeing to comply with and be bound by the Articles of Incorporation and By-laws of the Cooperative and any rules and regulations adopted by the Board of Directors, and
- (d) Paying the membership fee hereinafter specified; provided, however, that no person, firm, association, corporation, or body politic, or subdivision thereof shall become a member unless and until he or it has been accepted for membership by the Board of Directors or the members. No person may hold more than one membership in the Cooperative, and no membership in the Cooperative may be transferable, except as provided by these By-laws.

At each meeting of the members held subsequent to the expiration of a period of six months from the date of incorporation of the Cooperative, all applications received more than ninety (90) days prior to such meeting which have not been accepted or which have been rejected by the Board of Directors shall be submitted by the Secretary to such meeting and, subject to compliance by the applicant with the requirements hereinabove set forth, such application may be accepted by vote of the members. The Secretary shall give each such applicant at least ten (10) days written notice of the date of the members' meeting to which his application will be submitted and such applicant shall be entitled to be present and heard at the meeting.

Section 2. Membership Certificates

Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these By-laws, not until such membership fee has been fully paid for. In case a certificate is lost, destroyed or mutilated a new certificate may be issued therefor upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe. The Board of Directors, may, by resolution, adopt a combined form of membership application and membership certificate.

Section 3. Joint Membership

A husband and wife or two natural persons may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for

such membership. The term “member” as used in these By-laws, shall be deemed to include a husband and wife or two natural persons holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall have the effect of constitution joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute notice of both;
- (c) A waiver of notice signed by either or both shall constitute notice of both;
- (d) Notice of either shall terminate the joint membership;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership; and
- (g) Either but not both may be selected or appointed as an officer or director, provided that both meet the qualifications of such office.

Section 4. **Conversion of Membership**

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse or additional natural person to comply with the Articles of Incorporation, By-laws, and rules and regulations adopted by the Board of Directors. The outstanding membership certificate shall be surrendered, and shall be reissued by the Association in such manner as shall indicate the changed membership status.
- (b) Upon the death of either person who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in such manner as shall indicate the changed membership status; provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.
- (c) Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership in the same manner and to the same effect as though membership had never been joint; provided, that irrespective of the automatic termination above, the person continuing to occupy and use the premises covered by the membership shall apply to Cooperative for an individual membership, and provided further, that the other spouse shall not be released from any debts due the Cooperative but may, upon compliance with the requirements set forth above, be accepted for individual membership in the Cooperative.

Section 5. **Membership and Service Connection Fees**

The membership fee shall be Five Dollars (\$5.00). Additional deposits and fees may be charged to members as provided in the corporation's tariff lawfully on file with the Alaska Public Utilities Commission.

Section 6. **Purchase of Electric Energy**

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in this application for membership, and shall pay there for monthly at rates which shall from time to time be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. Each member shall pay to the Cooperative such minimum amount per month, regardless 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.

Section 7. **Termination of Membership**

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of the Cooperative may, by the affirmative vote of not less than two thirds of all the Directors, expel any member who fails to comply with or violates any of the provisions of the Article of Incorporation, By-laws, or rules and regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Secretary of the Cooperative that such failure or violation makes him liable to expulsion and such member thereafter continues or resumes such failure or violation. Any expelled member may be reinstated by a majority vote of the Board of Directors or by a majority vote of the members at any annual or duly called special meeting, upon such reasonable conditions as the Board of Directors may prescribe. The membership of a member who has ceased to purchase energy from the Cooperative for a period of one (1) year and the membership of a member who has had a disconnect order in effect for two (2) months without signing an order to reconnect may be canceled by a resolution of the Board of Directors when it appears that the best interests of the Cooperative would be served by such action.
- (b) 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. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- (c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of debts or obligations owing from the member of the Cooperative.

- (d) A former member's rights and interest in the assets and net income of the Cooperative will not be terminated upon withdrawal or termination of membership.

ARTICLE II RIGHTS AND LIABILITIS OF MEMBERS

Section 1. Property Interest of Members.

Upon dissolution after:

- (a) All debts and liabilities of the Cooperative have been paid, and
- (b) All capital furnished through patronage shall have been retired as provided in these By-laws. The remaining property and assets of the Cooperative shall be distributed among the members of record, in the proportion which the aggregate patronage of each bears to the total patronage of all members of record at the time of such dissolution
- (c) In the event of the lawful liquidation, through transfer or sale of all the property and assets of the Cooperative, the proceeds of such liquidation, transfer or sale, shall be distributed in the same manner as hereinabove provided for in the case of dissolution.

Section 2. Non-liability for Debts of the Cooperative

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

ARTICLE III MEETINGS

Section 1. Annual Meeting

The first annual meeting of the members shall be held at such convenient date, within ninety (90) days after two-thirds of the members have been connected and receive service, and at such place or building as shall be designated by the Board of Directors on the Notice of the Meeting, for the purpose of electing the first permanent Board of Directors and transacting such other business as may come before the meeting. Subsequent annual meetings of the members shall be held at such convenient date, not more than (30) days prior or not more than thirty (30) days subsequent to the anniversary date of the first annual meeting and at such place or building as shall be designated by the Board of Directors on the Notice of Meeting, for the purpose of electing directors, passing upon reports for the previous fiscal year, and transacting such other business as may come before the meeting. Failure to hold the annual meeting at the designated time or place shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings

Special meetings of the members may be called by resolution of the Board of Directors or upon written request signed by any three directors, by the President, or by ten per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meetings to be given as hereinafter provided. Special meetings of the members may be held at any place thereat specified in the notice.

Section 3. Notice of Members' Meetings

Written or printed notice stating the place, day, and hour of the annual meeting and, in case of special meeting or annual meeting at which business requiring special notice is to be transacted, the purpose or purposed for which the meeting is called, shall be delivered not less than fifteen (15) days not more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. In case of a special meeting, notice and the specific purposes for which the meeting is called shall be delivered not less than ninety (90) days nor more than one hundred twenty (120) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual meeting or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Quorum

As long as the total number of members does not exceed five hundred, ten per centum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed five hundred, fifty members or five per centum of the members

present in person, whichever shall be the larger, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

Section 5. **Voting**

Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon either in person or my mail, except as otherwise provided by law, The Articles of Incorporation, or these By-laws.

Members may vote by mail as follows: Ballots shall be distributed to the members along with the notice of the annual or special meeting. Ballots shall be marked by members and inserted into ballot envelopes which shall only contain the word "ballot" on the outside and shall be sealed. This envelope must be inserted into another envelope to be supplied by the Corporation which shall bear the signature of the member and shall be addressed to the Secretary of the Corporation at the Corporation's main office. Ballots must be received by the Secretary prior to the close of business on the last business day preceding the meeting. The unopened ballots shall be brought to the meeting and thereat checked against the membership roster by the Secretary and the Nominations Committee. The ballot of any member appearing in person at the meeting shall be destroyed or returned to that member.

Section 6. **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; except as otherwise determined by the members at such meeting:

- (1) Report on the number of members present in person in order to determine the existence of a quorum.
- (2) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- (3) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (4) Presentation and consideration of reports of officers, directors, and committees.
- (5) Election of directors
- (6) Unfinished business
- (7) New business
- (8) Adjournment

ARTICLE IV DIRECTORS

Section 1. General Powers

The management of business and affairs of the Cooperative shall be vested in a board of five (5) directors who shall exercise all of the powers of the Cooperative, except such as are by law, the Articles of Incorporation, or these By-laws, confirmed upon or reserved to the members.

Section 2. Election and Tenure of Office

- (a) Directors shall be elected by mail ballot submitted to a meeting of the members. Directors shall be elected by a plurality vote of the members. Directors shall serve for a three (3) year term or until their successors have been elected and qualified.
- (b) One (1) seat on the board shall be represented by a director from Iliamna, one (1) seat shall be represented by a director from Newhalen, one (1) seat shall be represented by a director from Nondalton, and the remaining two (2) seats shall be at-large seats. Directors shall be elected to fill the five (5) seats by electing two (2) directors in one year, and two (2) directors the next year, and one (1) director the third year, with this cycle being repeated in succeeding years. In those years when two directors are being elected one (1) of the vacant seats shall be filled by an at-large candidate.
- (c) If the date of the annual meeting of this Cooperative shall be changed by an amendment of the By-laws, any director elected subsequent to such change shall be elected for a term which shall expire at the annual meeting closest in time to the third anniversary of his election.
- (d) If an election of directors shall not be held on the day designated for the annual meeting, or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing directors within a reasonable time thereafter.

Section 3. Qualifications

No person shall be eligible to become or remain a director or to hold any position of trust in the Cooperative who is not a member in good standing and a bona fide resident in the area served or to be served by the Cooperative; or who is in any way employed by, or financially interested in, a competing enterprise or business selling electric energy or supplies to the Cooperative, or a business in the same area primarily engaged in selling electrical or plumbing appliances, fixtures, or supplies to the members of the Cooperative: or a firm, corporation, association, body politic, or government agency whose activities, interests, and functions are presently or likely to become in the future, in conflict with the best interests of the Cooperative.

Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such director from office. For the purposes of the By-laws, good standing shall mean that a director has not been delinquent or late in the payment of electrical service bills or other charges in the last year.

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

Section 4. **Nominations**

It shall be the duty of the Board of Directors to appoint, not less than sixty (60) days, nor more than ninety (90) days, before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than seven (7) members who shall be selected from different sections so as to insure equitable representation. No member of the Board of Directors may serve on such committee. The committee, keeping in mind the principal of geographical representation, shall prepare and post at the principal office of the Cooperative at least fifty (50) days before the meeting a list of nominations for directors which may include a greater number of candidates than are to be elected. Any fifteen (15) or more members acting together may make other nominations by petition not less than forty (40) days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. The Secretary shall mail with the notice of the meeting or separately, but at least thirty (30) days before the date of the meeting, a ballot specifying the number of directors to be elected and the names and addresses of the candidate, specifying separately, the nominations made by the committee on nominations and also the nominations made by petition, if any. The chairman shall call for additional nominations from the floor and nominations shall not be closed until at least one minute has passed during which no additional nomination has been made. No member may nominate more than one candidate.

Section 5. **Manager**

The Board of Directors may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The Manager, together with such other staff, agents, attorneys, and employees as he may select with the consent of the Board of Directors, shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him.

Section 6. **Rules & Regulations**

The Board of Directors shall have power to make, adopt, and enforce such rules and regulations, not inconsistent with law, the Articles of Incorporation, or these By-laws, as it may deem advisable for the management of the affairs and business of the Cooperative, for the protection of its investment, and for the interest and welfare of the members thereof.

Section 7. **Removal of Directors Members**

Any member may bring charges for cause against a director for and, by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum of the members, may request removal of such director by such reason thereof. Such director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered, and shall have an opportunity at the meeting to be heard in person or by council and to present evidence in respect of the charges; and the person

or persons bringing the charges against him shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

Section 8. Vacancies

Subject to the provisions of these By-laws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term.

Section 9. Compensation

Directors shall not receive any salary for their services as directors, except that by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors or other meeting while officially representing the Cooperative and for each day of necessary travel to and from a meeting while officially representing the Cooperative. No director shall receive compensation serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members, or the service by such director or close relative shall have been certified by the Board of Directors as an emergency measure.

Section 10. Removal of Directors by Board of Directors

The Board of Directors shall have power to remove any member director for his failure to attend three consecutive regularly called quarterly board meetings without just cause.

Section 11. Employment of Director's Relatives

No close relative of a director is eligible to run for or serve on the Board of Directors, nor may the Cooperative employ him or her unless such employment is temporary and authorized as an emergency resolution by the board. As used in these By-laws, "close relative" means a person who, by blood or in-law, is either a husband, wife, father, mother, sister, brother, son or daughter.

ARTICLE V MEETING OF DIRECTORS

Section 1. Regular Meetings

A regular meeting of the Board of Directors shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place as the Board of Directors may provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meetings

Special meetings of the Board of Directors may be called by the President or by any three directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provide. The President or the directors calling the meeting shall fix the time and the place for the holding of the meeting.

Section 3. Notice of Directors' Meeting

Written notice of the time, place and purpose of any special meeting of the Board of Directors shall be delivered to each director not less than five (5) days previous thereto, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

Section 4. Quorum

A majority of the Board of Directors shall constitute a quorum, 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, and provided further, that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. 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 VI OFFICERS

Section 1. Number

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

Section 3. Removal of Officers & Agents by Directors

Any office or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing together with a petition signed by ten per centum of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. In the event the board does not remove such officer, the question of his removal shall be considered and voted upon at the next meeting of the members.

Section 4. President

The President shall:

- (a) Be the principal executive office of the Cooperative and, unless otherwise determined by the members or the Board of Directors, shall preside at all meetings of the members and the Board of Directors;
- (b) Sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by the Board of Directors of the members, and 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 By-

laws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

- (c) In general perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors.

Section 5. Vice-President

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

Section 6. Secretary

The Secretary shall:

- (a) Keep the minutes of the meetings of the members and of 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 By-laws or as required by law;
- (c) Be custodian of the corporate records and of the seal of the Cooperative and affix the seal of the Cooperative to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these By-laws;
- (d) Keep a register of the names and post office addresses of all members;
- (e) Sign, with the President, certificates of membership, the issue of which shall have been authorized by the Board of Directors of the members;
- (f) Have general charge of the books of the Cooperative;
- (g) Keep on file at all times a complete copy of the Articles of Incorporation and By-laws of the Cooperative containing all amendments (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, forward a copy of the By-laws and of all amendments thereto to each member; and
- (h) In general perform duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

Section 7. Treasurer

The Treasurer shall:

- (a) Have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) Be responsible for the receipt of and the issuance of receipts for all moneys due and payable to the Cooperative and for the deposit of all such moneys in the name of the Cooperative in such bank as shall be selected in accordance with the provisions of these By-laws; and
- (c) In general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

Section 8. Bonds of Officers

The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall give bond in such sum with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent, or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

Section 9. Compensation: Indemnification

The powers, duties, and compensation of officers, agents, and employees shall be fixed by the Board of Directors, subject to the provisions of these By-laws with respect to compensation for directors and close relatives.

The Cooperative shall indemnify present and former directors, officers including the General Manager, agents, and employees against liability to the extent that their acts or omissions constituting the ground for alleged liability were performed in their official capacity and, if action ablate all, were based upon good faith business judgments in the belief the acts or omissions were in the best interest of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

Section 10. Reports

The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII PARTONAGE CAPITAL

The Cooperative shall at all times be operated on a Cooperative, nonprofit basis for the mutual benefit of its patrons. The Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Cooperative, subject to the provisions for sinking funds and reserves as provided by Article VIII of these By-laws. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

In order to introduce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obliged to account on a patronage basis to all its patrons, members and non-members alike, for all amounts received from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electricity. 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, members and non-members alike, as capital. The Cooperative is obligated to pay all such amounts in excess of operating costs and expenses to the patrons by credits to a capital account for each patron. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of the 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 shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid outstanding capital credits shall be retired without priority on a pro-rata basis before any payments are made on account of property right 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 patron's accounts may be retired in full or part. The Board of Directors shall determine the method, basis, priority, and order of retirement, if any, for all amounts furnished as capital. The Cooperative, before retiring any capital credited to any patron's account, shall deduct there from any amount owing by such patron to the Cooperative, together with interest thereon at the Alaska legal rate on judgments in effect when such amount became overdue, compounded annually. Capital credited to the account of each patron shall be assignable only on the books of the Cooperative 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.

In the event that a non-member patron shall elect to become a member of the Cooperative, the capital credit to the account of such non-member patron may be supplied by the Cooperative toward the payment of membership fee on behalf of such non-member patron.

Notwithstanding any other provision of these By-laws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these By-laws, to retire capital to any such patron immediately upon such terms and conditions as the Board of Directors acting under policies of general

application, and the legal representative of such patron's estate shall agree upon, provided, however that the financial condition of the Cooperative will not be impaired thereby.

Upon dissolution and after all debts (including payment on patronage certificates) have been paid, the gains from the sale of any asset shall be distributed to all persons who were members during the period of time when the Cooperative held such assets, insofar as practicable.

ARTICLE VIII FISCAL MANAGEMENT & ACCOUNTING

Section 1. Revenues & Expenditures

The Board of Directors shall adopt and maintain a system of accounting for receipts and expenditures in conformance with the laws of the United States and of the State of Alaska, applicable to cooperative associations and corporation which system shall at all times provide the proper reserves for payments of interest and principal on outstanding indebtedness, reserves on taxes, insurance, depreciation, replacement of capital plant and facilities, and such other reserves and accounts as the Board of Directors shall deem proper.

Section 2. Accounting System & Reports

The accounting system adopted and maintained by the Board of Directors shall conform to such rules and regulations applicable to accounting systems, their establishment and operation, as may from time to time be promulgated by the Administrator, Rural Electric Administration, United States Department of Agriculture, and which may be established by any applicable laws, rules and regulations of the United States, the State of Alaska, or any regulatory agents thereof, of competent jurisdiction. The Board of Directors may, whenever the financial condition of the Cooperative permits and its interest so requires, after the close of a fiscal year, cause to be made a full, complete, and independent audit of the accounts, books, and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the next following annual meeting.

ARTICLE IX DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease, or otherwise dispose of or encumber all or any substantial portion of its property, except to the United States of America, the State of Alaska, or to the National Rural Utilities Cooperative Finance Corporation, unless such sale, mortgage, lease, or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of the members voting on the transactions if the number of members voting to approve it constitutes not less than a majority of all members of the Cooperative and the notice of such proposed sale, mortgage, lease, or other disposition or encumbrance shall have been contained in the notice of the meeting, or unless such sale, mortgage, lease, or other disposition or encumbrance is authorized by the written consent of two-thirds of all the members.

ARTICLE X SEAL

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

ARTICLE XI FINANCIAL TRANSACTIONS

Section 1. Contracts

Except as otherwise provided in these By-laws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract to execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, & orders for Payment of Money

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 Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by the resolution of the Board of Directors.

Section 3. Deposits

All funds of the Cooperative, except petty cash, shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Directors may select.

Section 4. Fiscal Year

The fiscal year of the Cooperative shall be the calendar year.

ARTICLE XII MISCELLANEOUS

Section 1. Membership in Other Organizations

The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a fully held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase; provided, however, that the Cooperative may upon authorization of the Board of Directors, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification or, with the approval of the Administrator of REA, of any other corporation for the purpose of acquiring electrical facilities.

Section 2. Waiver of Notice

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

ARTICLE XIII AMENDMENTS

These By-laws may be altered, amended, or repealed by majority vote of the members either by mail and/or at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal and provided, further, that a quorum was present, as required by the By-laws, at the time of the adoption of such alteration, amendment, or repeal.