

Nomination and Election Procedures

We wish to provide you with the following information pertaining to membership, the annual meeting, board representation, nomination and election procedures. The following partial articles and sections are taken from the Bylaws of the Lyon Rural Electric Cooperative, Rock Rapids, Iowa.

ARTICLE I. MEMBERS

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

Section 2. Application for Membership; Renewal or Prior Application. Each member shall make an Application for Membership on a form supplied by the cooperative wherein each Applicant shall agree to purchase electric power and energy from the cooperative and to be bound by and to comply with all of the other provisions of the Articles of Incorporation and Bylaws of the cooperative and all other rules, regulations and rate schedules established at any time by the cooperative. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by such supplemental contracts and documents as required, executed on such forms as provided by the cooperative.

The Membership Application shall be accompanied by the membership fee provided for in Section 3, below, and such other service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the cooperative, which fees and deposits shall be refunded in the event that the Application is denied by the Board. Any former member of the cooperative may, by the sole act of paying a new membership fee and any outstanding account, plus accrued interest, with the cooperative, renew and reactivate any prior Application for Membership.

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

The Articles and these Bylaws are contracts between the Cooperative and a Member. By becoming a Member, the member acknowledges that: (1) Every Member is a vital and integral part of the Cooperative; (2) the Cooperative's successful operation depends upon each Member complying with the Governing Documents; and (3) members are united in an interdependent relationship. As requested by the Cooperative, a Member shall: (1) submit a claim or dispute between the Member and the Cooperative according to the rules and procedures prescribed by the Articles of Incorporation; and (2) indemnify the Cooperative for, and hold the Cooperative harmless from, liabilities, damages, costs, or expenses, including reasonable attorney fees and legal expenses, incurred by the costs, or expenses, including reasonable attorney fees and legal expenses, incurred by the Cooperative, or by a Cooperative Director, Officer, employee, agent, or representative ("Cooperative Official"), and caused by the Member's negligence, gross negligence, or willful misconduct, or by the unsafe or defective condition of a Location Occupied by the Member.

In general, a Member is not liable to third parties for the Cooperative's acts, debts, liabilities, or obligations solely because of membership in the

Cooperative. A Member may become liable to the Cooperative as provided in the Governing Documents or as otherwise agreed to by the Cooperative and the Member.

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

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

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

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

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

ARTICLE II. MEETING OF MEMBERS

Section 1. Annual Meeting. The regular meeting of the members of the Cooperative shall be held between March 1st and April 30th of each year on a date and at the time annually selected by the Board of Directors, at such place as shall be designated in the notice of the meeting in the City of Rock Rapids, County of Lyon, State of Iowa, where the principal place of business of the Cooperative is located for the purpose of electing Directors, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting. If the election of Directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

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

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

Section 4. Failure to Receive Notice. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such annual or special meeting.

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

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

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

ARTICLE III. DIRECTORS

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

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

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

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

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

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

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

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

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

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

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