

BY-LAWS
AS AMENDED – JULY 21, 2018

of
ANZA ELECTRIC COOPERATIVE, INC.

ARTICLE I
MEMBERSHIP

SECTION 1. ELIGIBILITY, MEMBERSHIP RENEWAL, REACTIVATION. Any natural person, firm, association, corporation, business trust, partnership, Federal agency, state or political subdivision thereof, or body politic (each hereinafter referred to as "person", "applicant", "him" or "his" or "her") shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by him or her, to receive electric service from, Anza Electric Cooperative, Inc. (hereinafter called the "Cooperative"). Application for membership - whereby the applicant agrees to purchase available services from the Cooperative and to be bound by and to comply with all the other provisions of the Cooperative's Articles of Incorporation and Bylaws, and all rules, regulations, rate classifications and rate schedules established pursuant thereto, as all the same then exist or may thereafter be adopted or amended (the obligations embraced by such agreement being hereinafter called "membership obligations") - shall be made in writing on such form as is provided therefor 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 a supplemental contract, executed by the applicant on such form as is provided therefor by the Cooperative. The membership application shall be accompanied by the fees (together with any service security deposit, service connection deposit or facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative) which fee (hereinafter called "additional payments, if any"), shall be refunded in the event the application is denied. Any former member of the Cooperative may, by the sole act of paying outstanding account plus accrued interest thereon at the California legal rate on judgments in effect when such account first became overdue, compounded annually (together with additional payments/deposits, if any), renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

The member shall be entitled to hold a membership interest for each service area that requires a separate class of membership as set forth in these By-laws. A service connection deposit or fee, in such amounts shall be prescribed by the Cooperative (together with additional payments, if any), shall be paid by the member for each service connection requested.

Upon payment of the connection fee established by the Board of Directors and receipt of service, the applicant shall become a member.

A person becomes a member by holding one or more classes of membership, but holding more than one class of membership does not entitle a person to additional rights or votes as a member. No membership in the Cooperative shall be transferable, except as provided in these By-laws.

SECTION 2. JOINT MEMBERSHIP. A husband and wife, a partnership 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, a partnership 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 the 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;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) A notice to either shall constitute a notice to both;
- (e) Expulsion of either shall terminate the joint membership and neither shall be a member;
- (f) Withdrawal of either member shall terminate the joint membership;
- (g) Either, but not both, may be elected or appointed as an officer or director, provided that the individual appointed meet the qualifications for such office.

SECTION 3. CONVERSION OF MEMBERSHIP. (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse or other joint members to comply with the Articles of Incorporation, By-laws and Rules and Regulations adopted by the Board of Directors.

(b) Upon the death of either spouse or partner who is a party to the joint membership, such membership shall be held solely by the survivor. The estate of the deceased shall not be released from any debts due to the Cooperative.

SECTION 4. ELECTRIC ENERGY. Each member shall, as soon as electric energy shall be available, receive service from the Cooperative for all electric energy used on the premises specified in the application for membership, except co-generation, and shall pay therefor monthly rates which shall from time to time to 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. It is expressly understood that amounts paid for the electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these By-laws. 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 pay all amounts owed to the Cooperative as and when the same shall become due and payable.

SECTION 5. FIBER OPTIC SERVICES. Each member shall, as soon as services shall be available to such member, receive an offer of service from the Cooperative for fiber optic services available for use on the premises specified in the application for membership or where the member currently receives electrical energy services, and in the event that the member decides to apply for such fiber optic class of service, the member shall pay therefor monthly rates which shall from time to time to be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of capacity within the fiber optic network which the Cooperative shall be required to furnish to any one member based on the facilities and capacity available. It is expressly understood that amounts paid for fiber optic services in

excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these By-laws. Each member shall pay to the Cooperative such minimum amount per month regardless of the fiber optic services consumed, as shall be fixed by the Board of Directors from time to time. Each member shall pay all amounts owed to the Cooperative as and when the same shall become due and payable.

SECTION 6. TERMINATION OF MEMBERSHIP. (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors 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 any of the provisions of the Articles of Incorporation, By-laws or Rules or 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 makes the member liable to expulsion and such failure shall have continued for at least 10 days after such notice was given. Any expelled member may be reinstated by vote of the Board of Directors or by vote of the members at any annual or special meeting.

(b) Upon the withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or the member's 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 membership fee paid by the member, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owing from the member to the Cooperative.

(d) If a member withdraws from only one class of membership, but remains a member for the purposes of another class of service, then the status of such person as a member of the Cooperative will remain unchanged and only the member's rights with respect to the withdrawn class will be terminated, provided, however, that the Cooperative will make any payments in connection with the terminated class of service pursuant to section (c) above.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. PROPERTY INTEREST OF MEMBER. Upon dissolution, after (a) all debts and liabilities of the Cooperative shall have been paid, and (b) all capital furnished through patronage shall have been retired as provided in these By-laws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the portions which the aggregate patronage of each bears to the total patronage of all members during the four years next preceding the date of the filing of the certificate of dissolution, or if the Cooperative shall not have been in existence for such period, during the period of its existence.

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 OF MEMBERS

SECTION 1. ANNUAL MEETING. The meeting of the members shall be held prior to October 31 of each year, the dates for such meetings to be established by the Board of Directors, at such place within the boundaries of the Cooperative's service area, as shall be designated 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 properly come before the meeting.

It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. SPECIAL MEETING. A special meeting of the members may be called upon written request by a majority of the Board of Directors, or by five per cent or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. A special meeting of the members may be held at any place within the area served by the Cooperative, specified in the notice of the special meeting.

SECTION 3. NOTICE OF MEMBERS' MEETINGS. Written or printed notice stating the place, day or hour of the meeting and, in case of a special meeting or annual meeting at which business requiring special notice is to be transacted, the purpose for which the meeting is called, shall be delivered not less than 10 days nor more than 90 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. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the member's address as it appears on the records of the Cooperative, with postage thereupon prepaid. 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 such meeting.

SECTION 4. QUORUM. 50 members present in person shall constitute a quorum. The minutes of each meeting shall contain a list of the members present in person.

SECTION 5. VOTING. Each member shall be entitled to a vote at a meeting of the members. All questions shall be decided by vote of a majority of the members voting thereon in person except as otherwise provided by law, the Articles of Incorporation or these By-laws.

SECTION 6. VOTE OF ABSENTEES. At any meeting of the members, the written vote of an absent member, signed by the member, shall be received and counted if (a) the member has been previously notified, in writing of the exact motion, resolution, or nomination upon which the vote is taken, and (b) a copy of the motion, resolution, or nomination has been forwarded with, and attached by the member, to the written vote. A member who submits a vote under this Section shall be counted as "present" for the purposes of obtaining quorum under Section 4, but only for the purpose of obtaining quorum with respect to the proposed motion, resolution, or nomination voted upon in the absentee member's ballot.

SECTION 7. ORDER OF BUSINESS. The order of business at the annual meeting 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.

Notwithstanding the foregoing, the Board of Directors or the members themselves may from time to time establish a different order of business for the purpose of assuring the earlier consideration of and action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business; provided that no business other than adjournment of a meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

ARTICLE IV DIRECTORS

SECTION 1. GENERAL POWERS. The business and affairs of the Cooperative shall be managed by a Board of seven directors which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or these By-laws conferred upon or reserved to the members.

SECTION 2. ELECTION AND TENURE OF OFFICE. The persons named as directors in the Articles of Incorporation shall compose of the Board of Directors until the first annual meeting or until their successors shall have been elected and shall have qualified. Directors shall be elected by secret ballot at each annual meeting of the members. At the annual meeting in 1989, there shall be elected one director at large to represent all three districts and thereby reducing the Board of Directors to seven directors and for the next two years there shall be elected three directors each year, one representing each district. Each director is to serve a term of three years or until their successor is elected and qualified. If an election of directors shall not be held on the day designated herein 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. Directors may be elected by a plurality vote of the members.

Two directors shall reside within and be elected to represent each of the three districts hereinafter designated, and one director shall be elected at large from the Cooperative and shall serve terms which will be staggered so that each district shall elect one representative each year for two years and the third year one representative elected at large. The districts are designated and defined as follows:

DISTRICT NO. I. Beginning at the NE corner of Sec 2, T6S, R2E then a straight line South to the SE corner of Sec. 35, T8S, R2E and to include all AEC territory to the West of this line.

DISTRICT NO. II. Beginning at the NE corner of Sec 35, T5S, R3E then a straight line South to the SE corner of Sec 2, T8S, R3E, then West to the NE corner of Sec 11, T8S, R3E then a straight line South to the SE corner of S35, T8S, R3E and to include all AEC territory to the West of this line, not including District 1.

DISTRICT NO. III. Beginning at the NE corner of Sec 35, T5S, R3E a straight line South to the SE corner of Sec 2, T8S, R3E the West to the NE corner of Sec 11, T8S, R3E then South to the SE corner of Sec 35, T8S, R3E and to include all AEC territory to the East of this line.

SECTION 3. QUALIFICATIONS. No person shall be eligible to become or remain a director of the Cooperative who:

- (a) Is not a member of the Cooperative in good standing and a living being.
- (b) Does not have his or her domicile nor spend at least 51% of his or her time each year within the district or service area from which he or she was elected.
- (c) Is in any way employed or financially interested in a competing enterprise or business selling electrical energy, electric or plumbing appliances or services, solar electric or thermal energy appliances or systems, or internet equipment or services to the Cooperative.
- (d) Does not resign from the Board within 30 days after moving away from the district or service area from which he or she was elected. Upon establishment of the fact that a director is in violation of any foregoing provisions, the Board of Directors shall remove such director.
- (e) Is a former employee of the Cooperative within three (3) years of termination of that employment.

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

SECTION 4. NOMINATIONS.

- (a) Any qualified member from the required district may be nominated for Director by official petition of not less than thirty (30) members of the Cooperative. Official petition forms will be available at the Cooperative Headquarters ninety (90) days prior to the deadline for filing the petition for the calendar year in which Director's terms expire.
- (b) All candidates' nomination petitions shall be submitted to the Secretary of the Cooperative by the candidate, together with such additional information as may be requested by the Secretary, not less than sixty (60) days before the date of the meeting at which Directors will be elected.

- (c) The Secretary shall review all candidate nomination petitions to insure that the candidate is qualified to be a Director and to insure that the requisite number of signatures are contained in the petition.
- (d) The Secretary shall cause to be posted a list of all qualified nominations at the Cooperative's headquarters building and shall cause to be mailed with the notice of meeting or separately, but at least seven (7) days before the date of the meeting at which Directors are to be elected, a statement of the number of Directors being elected and the names and addresses of the candidates.
- (e) In the event petitions are received for only the number of Directors to be elected and the Secretary determines the petitions in order and the candidate qualified, no further election process shall be held and those candidates nominated shall be declared elected as Directors at the annual meeting.

SECTION 5. REMOVAL OF DIRECTORS BY MEMBERS. Any member may bring charges against a director and, by filing with the Secretary such charges in writing together with a petition signed by at least five percent of the members, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least 30 days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity 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 the director 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 vacancy created by such removal may be filled by vote of the members at such meeting without compliance with foregoing provisions with respect to nominations.

SECTION 6. VACANCIES. Subject to the provisions of these By-laws with respect to the filling of vacancies, a vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term.

SECTION 7. 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 actual expenses of attendance, if any, may be allowed for attendance at meetings and other functions on business dealing with the Cooperative. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative, a person within the second degree, of a director receive compensation for the serving of the Cooperative, unless the payment in the amount of the compensation shall be specifically authorized by vote of the members or the services which directors or close relative shall have been certified by the Board of Directors as an emergency measure.

ARTICLE V MEETING OF DIRECTORS

SECTION 1. BOARD MEETING. (a) A meeting of the Board of Directors may be held without notice, immediately after the annual meeting of the members, at a place designated by the Board of Directors. (b) The regular meeting of the Board of Directors shall be monthly. The date, time and place of the regular monthly meeting shall be determined by the Board of Directors.

SECTION 2. SPECIAL MEETING. Special meetings of the Board of Directors may be called by the President or by a majority of the directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The

President or the directors calling the meeting shall fix the date, time and 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 days previous thereto either personally or by mail, by or at the direction of the Secretary, or upon a default on 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 the director's 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 such 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 director of the time and place of such adjourned meeting if said adjournment is longer than 24 hours. The act of a 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 the 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 as reasonably as may be possible after the annual meeting of the members. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until the director's 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 AND AGENTS BY DIRECTORS.

(a) 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 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 10 per cent 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 10 days prior to the board meeting at which the charges are to be considered and shall have an opportunity to be heard in person or by counsel and to present evidence in respect to the charges; and the person or persons bringing the charge against the officer shall have the same opportunity. In the event the Board does not remove such officer, the question of the officer's removal shall be considered and voted upon at the next meeting of the members.

(b) Any officer who shall fail to attend three consecutive regular board meetings may be notified in writing by the Board of Directors that the director's office has been vacated.

SECTION 4. PRESIDENT. The President shall:

- (a) Be the principal executive officer of the Cooperative and unless

otherwise determined by the members of the Board of Directors, shall preside at all meetings of the members and the Board of Directors;

- (b) 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 as may be prescribed by the Board of Directors from time to time.

SECTION 5. VICE PRESIDENT. In the absence of the President, or in the event of the President's 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 the Vice President by the Board of Directors.

SECTION 6. SECRETARY. The Secretary shall cause to:

- (a) Keep minutes of the meetings of the members and 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 the seal of the Cooperative and affix the seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized, in accordance with the provisions of these By-laws;
- (d) Keep a register of the names and post office addresses of all members;
- (e) Have general charge of the books of the Cooperative;
- (f) Keep on file at all times a complete copy of the Articles of Incorporation and By-laws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, forward a copy of the By-laws and all amendments thereto to each 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 the Secretary by the Board of Directors.

SECTION 7. TREASURER. The Treasurer shall cause to:

- (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 monies due and payable to the Cooperative and for all the deposits of all

such monies in the name of the Cooperative in such bank or banks 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 the Treasurer by the Board of Directors.

SECTION 8. MANAGER. The Board of Directors shall appoint or hire a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in the manager.

SECTION 9. BONDS FOR OFFICES. 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 be bonded in such sum and 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 be bonded in such amount and with such surety as it shall determine.

SECTION 10. COMPENSATION. The powers, duties and compensation of officers, agent 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 of directors.

SECTION 11. 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 or calendar year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year or calendar year.

ARTICLE VII NON-PROFIT OPERATION

SECTION 1. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED.

The Cooperative shall at all times be operated on a Cooperative nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital, deposits, or other funds furnished by its patrons.

SECTION 2. PATRONAGE CAPITAL IN CONNECTION WITH EACH CLASS OF SERVICE.

In the furnishing of a class of service (electric energy or fiber optic services), 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. 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 all amounts received and receivable from the furnishing of each class of service in excess of operating costs and expenses properly chargeable against the furnishing of such class of service. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons (members and non-members alike) 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 for each class of membership held by such patron. 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 for their respective classes of membership, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron (member and non-members alike) of the capital so credited to the patron's 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 legal obligation to do so and the patron had furnished the Cooperative corresponding amounts for capital. Each costs and expenses of each class of service will be accounted for on a separate basis, provided, however, that the Cooperative may allocate to each class of service its respective share of the general overhead and common costs and expenses. Furthermore, that portion of the costs and expenses of the fiber optic network which are attributable to communications in connection with furnishing electrical energy service will be allocated to the electric energy class membership.

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 the purposes, allocated to its patrons on a patronage basis and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

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

The Board of Directors shall determine the method, basis, priority and order of making such retirements, if any, for all amounts heretofore and hereafter furnished as capital; provided, the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply or other service or supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the amount of the Cooperative by an organization furnishing power supply or any other service or supply to the Cooperative. Such rules establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year.

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.

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, who was a natural person or if so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a patron, which assignee was a natural person, if legal representatives of patron's estate shall request in writing that the capital credited to any such patron be retired to the time such capital would otherwise be retired under the provisions of these By-laws, to retire such capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, to situations of like kind, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

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

at the California legal rate on judgments in effect when such amount became overdue, compounded annually.

The patron of the Cooperative, by dealing with the Cooperative, acknowledges that the terms and provisions of the Articles of Incorporation and By-laws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patron are bound by such contract, as fully as though each patron had individually assigned a separate instrument containing such terms and provisions.

SECTION 3. ESCHEAT. This section is intended to comply with California Corporation Code Section 12446.

If a member cannot be located for a period of two years as evidenced by the return of his/her mail and by no record of business transacted at the Cooperative, then thereafter the Cooperative shall do the following:

- (a) The Cooperative shall place that member on inactive status, and
- (b) The Cooperative shall give to the affected member at least sixty (60) days prior notice of the Cooperative's proposed transfer date of the proprietary interest to the Cooperative. Notice shall be provided by first or second class mail to the last address of the member shown on the Corporation records and by publication in a newspaper of general circulation in the county in which the Cooperative has its principle office, namely, Riverside County. Notice given in the foregoing manner shall be deemed actual notice.
- (c) No proprietary interest shall become the property of the Corporation if written notice objecting thereto is received by the Corporation from the affected member prior to the date of the proposed transfer. If there is no objection to the transfer of the proprietary interest from the member to the Corporation, then said proprietary interest shall become the property of the Corporation on the transfer date, which shall be at least sixty (60) days from the date of notice.
- (d) A proprietary interest shall mean and include any membership, membership certificate, membership share, share certificate or any share certificate of any class representing a proprietary interest in and issued by the Corporation together with all accrued and unpaid dividends and patronage distribution relating thereto.
- (e) This By-law is intended to be retroactive so as to affect all the members' proprietary interest in the Cooperative.

ARTICLE VIII DISPOSITION OF PROPERTY

The Cooperative may not sell, lease, or otherwise dispose of all or any substantial portion of its property unless such sale, lease or other disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all members of the Cooperative, and unless the notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything

herein contained the Trustees of the Cooperative, known as the Board of Directors, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbering of, any or all property, assets, rights, privileges, licenses, franchise and permits of the Cooperative, whether acquired or to be acquired and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative to the United States of America, or any instrumentality or agency thereof, or the National Rural Utilities Cooperative Finance Corporation (CFC); or any other agency or institution satisfactory to the Board of Directors and existing mortgage agreements; provided, further, that the Board of Directors may upon the authorization of members of the Corporation entitled to exercise a majority of the voting power, sell, lease, or otherwise dispose of all or a substantial portion of its property to another cooperative or foreign corporation doing business in this state, pursuant to the Act under which this Cooperative is incorporated, or to a municipality or other body politic or subdivision thereof.

ARTICLE IX 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 "California" and the date of incorporation.

ARTICLE X FINANCIAL TRANSACTIONS

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 Cooperative, and such authority may be general or confined to specific instances.

SECTION 2. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed 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 resolution by the Board of Directors.

SECTION 3. DEPOSITS. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative, in CFC, AEPCO (Arizona Electric Power Cooperative, Inc.) or such banks or depositories as the Board of Directors may select.

SECTION 4. CHANGE IN RATES. Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America not less than 90 days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

SECTION 5. FISCAL YEAR. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

ARTICLE XI MISCELLANEOUS

SECTION 1. MEMBERSHIP IN OTHER ORGANIZATIONS. The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative

vote of the members at a duly 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 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 providing fiber optic services to unserved or underserved communities, or with the approval of the Administrator of RUS, of any other corporation for the purpose of acquiring electric 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 Bylaws. 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 ground that the meeting has not been lawfully called or convened.

SECTION 3. RULES AND REGULATIONS. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 4. ACCOUNTING SYSTEM AND REPORTS. The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, and 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 Utilities Service, U.S. Department of Agriculture or any governmental entity which may require reporting in connection with any grant funding or financing provided to the Cooperative. The Board of Directors shall also after the close of each year, cause to be made by a Certified Public Accountant a full and complete audit of the accounts, books, and financial conditions of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting. The audit report shall be available to any member on request at the headquarters of the Cooperative.

SECTION 5. AREA COVERAGE. The Board of Directors shall make a diligent effort to see that the electric service is extended to all unserved persons within the Cooperative's service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

SECTION 6. CLOSE RELATIVE DEFINED. As used in these By-laws, close relative means a person who is related to the principal person, by consanguinity of affinity, to the third degree or less -that is, a person who is either a spouse, child, grandchild, great grandchild, parent, grandparent, great grandparent, brother, sister, aunt, uncle, nephew or niece, by blood or in law, of the principal.

ARTICLE XII AMENDMENTS

These By-laws may be altered, amended or repealed by the members at any regular or special meeting, provided the notice of such meeting have contained copy of the proposed alteration, amendment or repeal.