



BYLAWS

Revised October 24, 2008

Vision:

Our members and Northeast Michigan will regard us as a trusted energy and community partner.

Mission:

To provide energy and other services to sustain and improve the quality of life for our members through the use of a cooperative business structure.

Presque Isle Electric & Gas Co-Op's natural gas operations are not regulated by the Michigan Public Service Commission.

PRESQUE ISLE ELECTRIC & GAS CO-OP

19831 M-68 Highway
Onaway, Michigan 49765

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ARTICLE I

Members

Section 1. Qualifications and Obligations.

Any person, firm, corporation or body politic may become a member in the Co-op by:

- (a) paying the membership fee hereinafter specified; and
- (b) agreeing to purchase from the Co-op services as hereinafter specified; and
- (c) agreeing to comply with and be bound by the articles of incorporation of the Co-op, these bylaws, any amendments thereto, and such rules and regulations as may from time to time be adopted by the board of directors;

provided, however, that no person, firm, corporation or body politic shall become a member unless and until accepted for membership by the affirmative vote of two-thirds (2/3) of the members of the board of directors or by the affirmative vote of the members of the Co-op. At each meeting of the members, all applications received more than ninety (90) days prior to such meeting and which have not been accepted by the board of directors shall be submitted by the board of directors to such meeting of the members, and subject to compliance by the applicant with the conditions set forth in subdivisions (a), (b) and (c) of this section, such application for membership may be accepted by a vote of the members at such meeting. The Secretary shall give any such applicant at least ten (10) days prior notice of the date of the members' meeting at which the application will be submitted and such applicant may be present and heard at the meeting. No person, firm, corporation or body politic may own more than one (1) membership in the Co-op.

Section 2. Joint Memberships.

(a) A husband and wife may apply for a joint membership or, if one of them is already a member, may convert such membership into a joint membership by submitting a written request to the board and, subject to compliance with the requirements set forth in Section 1 of this Article, being accepted for such membership.

The term membership as used in these bylaws shall be deemed to include a husband and wife holding a joint membership, and any provision relating to the rights and liabilities of membership shall apply equally to holders of a joint membership.

(b) In addition to other bylaw provisions, the following will apply to joint memberships:

(1) The presence at a meeting of either or both shall constitute a waiver of notice of the meeting by both.

(2) the vote of either separately or both jointly shall constitute one joint vote. Provided, that if both are present but in disagreement on such vote, each shall cast only one-half (1/2) vote.

(3) Death of either shall terminate the joint membership.

(4) Withdrawal of either shall terminate the joint membership.

(5) Neither shall be permitted to have additional service connections except through their joint membership.

(6) Upon the divorce of the holders of a joint membership, such membership shall continue to be held solely by the person entitled to possession of the premises as though such membership had never been joint. Capital credits will not be paid to the former spouse who is no longer a

member. The former spouse shall not be released from any debts owed the Co-op. Should both parties continue to be entitled to possession, both shall continue to be liable for debts owed the Co-op and the membership shall be treated as a joint membership until terminated.

Section 3. Membership fee.

The membership fee shall be \$5.00, the payment of which shall make the member eligible for any and all services.

Section 4. Members' Responsibilities.

(a) Each member shall be responsible for and indemnify the Co-op and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect or improper use or maintenance of such premises and all pipelines, wiring and apparatus connected thereto or used thereon.

(b) Each member shall make available to the Co-op a suitable site, as determined by the Co-op, whereupon to place the Co-op's physical facilities for the furnishing and metering of each service received and shall permit the Co-op's authorized employees, agents and independent contractors to have access thereto safely and without interference from any hostile source for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times.

(c) As part of the consideration for such services, each member shall be the Co-op's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use best efforts to prevent others from so doing.

(d) The responsibility of the Co-op for furnishing any service shall not extend beyond the point of delivery except by written agreement.

Section 5. Purchase of Services.

Members in the service areas of the Co-op shall purchase all service requirements for use on the premises specified in their applications for membership from the Co-op, and shall pay therefor such rates and at such times 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 service which the Co-op shall be required to furnish to any one member. Production or use of energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Co-op facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Co-op. It is expressly understood that amounts paid for 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 bylaws. Each member shall pay to the Co-op such monthly or yearly minimum rates regardless of the amount of service provided as shall be fixed by the board of directors from time to time. Each member shall also pay all amounts owed to the Co-op as and when the same shall become due and payable.

Section 6. Expulsion of Members.

The board of directors of the Co-op may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the articles of incorporation of the Co-op or these bylaws or any rules or regu

lations adopted from time to time by the board of directors. Any member so expelled may be reinstated as a member by a vote of the members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

Section 7. Withdrawal of Membership.

Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Co-op and upon compliance with such terms and conditions as the board of directors may prescribe.

Section 8. Transfer and Termination of Membership

(a) Membership in the Co-op and a certificate representing the same shall not be transferable, except as hereinafter otherwise provided, and upon the death, cessation of existence, expulsion or other withdrawal of a member, or when electric and/or gas service has been discontinued for a period of one year or longer, the membership of such member shall thereupon terminate and the certificate of membership of such member shall be surrendered forthwith to the Co-op. Termination of membership in any manner shall not release the member from the debts or liability of such member to the Co-op.

(b) When a membership is held jointly by a husband and wife, upon the death of either such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and upon the recording of such death on the books of the Co-op, the certificate may be reissued to and in the name of such survivor; provided however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Co-op.

(c) Upon the discovery that the Co-op has been furnishing service to any person other than a member, it shall cease furnishing such service unless such person applies for, and the board of directors approves, membership retroactively to the date on which such person first began receiving such service, in which event the Co-op, to the extent practicable, shall correct its membership and all related records accordingly.

Section 9. Removal of Directors.

Any member may bring charges for cause against a director by filing them in writing with the Secretary, together with a petition signed by five percent (5%) of the members requesting the removal of the director in question. The removal shall be voted upon at the next regular or special meeting of the members and by the affirmative vote of two-thirds (2/3) of the members of the Co-op present in person or represented by proxy, the director may be removed from office for cause and the vacancy created by such removal may be filled by the members at such meeting. The director against whom such charges have been brought shall be informed in writing of the charges at least 20 days previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against the director shall have the same opportunity. No more than one meeting of the members shall be held and vote recorded for the removal of any individual director during the term for which that director is elected.

ARTICLE II

Meetings

Section 1. Annual Meeting.

The annual meeting of the members shall be held each year at such place in any area served by the Co-op as shall be designated in the notice of meeting 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 Co-op.

Section 2. Special Meeting.

Special meetings of the members may be called by at least three (3) directors or upon a written request signed by at least five percent (5%) 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. Special meetings of the members may be held at any place within the area served by the Co-op specified in the notice of the special meeting.

Section 3. Notice of Members' Meetings.

Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than twenty-one (21) days nor 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 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 their address as it appears on the records of the Co-op, with postage thereon prepaid. In case of a joint membership, notice given to either husband or wife shall be deemed notice to both joint members. 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 meeting.

Section 4. Quorum.

One thousand (1000) total votes by mail, in person, or by proxy shall constitute a quorum for the transaction of business at all meetings of the members as to any matter listed on the official notice of the meeting. As to all other business, a quorum shall consist of one percent (1%) of the total membership for the prior year. In case of a joint membership the presence at a meeting of either husband or wife, or both, shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present in person or represented by proxy may adjourn the meeting from time to time without further notice.

Section 5. Voting.

Each member shall be entitled to one (1) vote and not 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 voting thereon in person, by mail, or by proxy, except as otherwise provided by law, the articles of incorporation of the Co-op or these bylaws.

Section 6.**Proxies.**

At all meetings of members a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated, or any adjournment of such meeting. No person shall vote as proxy for more than three (3) members at any meeting of the members and no proxy shall be valid after sixty (60) days from the date of its execution. The presence of a member at a meeting of the members shall revoke a proxy theretofore executed and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed.

In case of a joint membership a proxy may be executed by either the husband or wife. The presence of either husband or wife at a meeting of the members shall revoke a proxy theretofore executed by either of them and such joint member or members shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed.

Section 7.**Voting by Mail.**

A member who has not executed a proxy as set forth in the preceding section may vote by mail upon any proposition, motion or resolution concerning which a ballot has been furnished by the Secretary in accordance with these bylaws. Each member of the Co-op shall be afforded the opportunity, subject to the procedure in this Section, to vote by mail for the election of directors and upon any motion or resolution placed on the ballot by the Board of Directors. The Secretary shall be responsible for setting forth in the notice of meeting the text of any ballot for the election of directors or any other such motion, proposition or resolution to be acted upon. The Secretary shall furnish a ballot and preaddressed, postage-paid ballot envelope to all members. A member choosing to vote by mail shall enclose the ballot in the ballot envelope and mail it to the Co-op.

The mailing envelope shall be signed by the member voting the ballot, and in the case of a joint membership by either of the joint members, and shall be returned to the Secretary not later than seven (7) days preceding the meeting at which the propositions are to be considered.

No member of the Co-op who has voted by mail shall vote again either in person or by proxy on any matter included in the mail ballot furnished by the Secretary for such meeting. Any such member may, however, vote at the meeting either in person or by proxy on any matter properly brought before the meeting which was not included on the mail ballot.

Section 8.**Election and Credentials Committee.**

The board of directors shall, at least thirty (30) days before any meeting of the members, appoint an Election and Credentials Committee consisting of an uneven number of members, not less than five (5) nor more than fifteen (15), who are not close relatives or members of the same household of existing directors or known candidates for directors to be elected at such meeting. In appointing the Committee, the Board shall have regard for equitable representation of the several areas served by the Co-op. The Committee shall elect its own chairman and secretary prior to the member

meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot voting, to pass upon all questions that may arise with respect to the registration of members in person or by proxy, to count all ballots cast in any election or in any other ballot vote taken, to rule upon the effect of any ballots irregularly or indecisively marked and to pass upon any protest or objection filed with respect to any election or conduct affecting the results of any election. In the event a protest or objection is filed concerning any election, such protest or objection must be filed within three (3) business days following the adjournment of the meeting in which the election is conducted. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protestor(s) or objector(s) who may be heard in person, by counsel, or both; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, which may be either to affirm or change the results of the election or to set aside such election. The Committee's decision (as reflected by a majority of those actually present and voting) on all such matters shall be final.

Section 9. Order of Business.

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

1. Call of the Roll.
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, and acting upon, reports of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE III

Directors

Section 1. General Powers.

The business and affairs of the Co-op shall be managed by a board of nine (9) directors which shall exercise all of the powers of the Co-op except such as are by law or by the articles of incorporation of the Co-op or by these bylaws conferred upon or reserved to the members.

Section 2. Qualifications and Tenure.

The board of directors shall consist of nine directors, two shall be elected from the Presque Isle District, comprising Presque Isle County; two shall be elected from the Alpena District, comprising Alpena and Alcona Counties; two shall be elected from the Montmorency District comprising Montmorency, Oscoda and Otsego Counties; and two shall be elected from the

Cheboygan District, comprising Cheboygan, Emmet and Mackinac Counties; and one shall be elected as a director at large from a district comprising the entire PIE&G electric or natural gas service area. Each director shall serve for a term of three years or until their successor shall have been elected and shall have qualified. At each annual meeting thereafter, three directors shall be elected by ballot by and from the members to serve for a term of three years or until their successors shall have been elected and shall have qualified, subject to the provisions of these bylaws with respect to replacement or removal of directors (to be effective beginning with the 2009 elections).

No member shall be eligible to become or remain a director or to hold any position of trust in the Co-op who is not a bona fide resident in the area served by the Co-op, or is in any way employed by or financially interested in a competing enterprise or a business selling energy or supplies to the Co-op, or a business primarily engaged in selling electrical, gas or plumbing appliances, fixtures or supplies to the members of the Co-op. Nor may any candidate for the board of directors be a close relative of any employee or director as that term is defined in Article VII, Section 12. When a membership is held jointly by a husband and wife, either one, but not both, may be elected a director, provided, however, that neither one shall be eligible to become or remain a director or to hold a position of trust in the Co-op unless both shall meet the qualifications herein above set forth. Nothing in this section contained shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the board of directors.

Section 3. Nominations.

It shall be the duty of the board of directors to appoint, not less than eighty (80) days nor more than one hundred thirty (130) 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 eleven (11) members who shall be selected so as to give equitable representation on the committee to the geographical areas served or to be served by the Co-op. No officer or member of the board of directors shall be appointed a member of such committee. The committee shall prepare and post at the principal office of the Co-op at least seventy (70) days before the meeting a list of nominations for directors consisting of the names of at least two members from each district or geographical area served by the Co-op, but any fifteen (15) or more members may make other nominations in writing over their signatures, which nominating petitions shall be filed with the Secretary no later than sixty (60) days prior to the meeting and the Secretary shall post the same 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 a statement of the number of directors to be elected and showing separately the nominations made by the committee on nominations and the nominations made by petition, if any. Nothing contained herein shall, however, prevent additional nominations to be made from the floor at the meeting of the members. The members may, at any meeting in which a director or directors shall be removed, as hereinbefore provided, elect a successor or successors thereto without compliance with the foregoing provisions with respect to nominations. Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

Section 4. Elections.

Directors shall be elected by the affirmative vote of a plurality of the members voting at said meeting. Drawing by lot shall resolve any tie votes.

Section 5. Vacancies.

Subject to the provisions of these bylaws with respect to the removal of directors, vacancies occurring in the board of directors shall be filled by a majority vote of the remaining directors and directors thus elected shall serve until the next annual meeting of the members or until their successors shall have been elected and shall have qualified.

Section 6. Compensation.

Directors as such shall not receive any salary for their services, but, by resolution of the board of directors, health care coverage and a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the board of directors, and for each day or portion thereof spent on Co-op business, such as attendance at meetings, conferences, hearings, training programs or performing committee assignments when authorized by the board. Except in emergencies, no director shall receive compensation for serving the Co-op in any other capacity, nor shall any close relative of a director receive compensation for serving the Co-op, unless such compensation shall be specifically authorized by the board of directors.

Section 7. 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 of the Co-op or these bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Co-op.

Section 8. Accounting System and Reports.

The board of directors shall cause to be established and maintain a complete accounting system which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to generally accepted accounting standards. The board of directors shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Co-op as of the end of each fiscal year. A full and accurate summary of such audit report shall be submitted to the members at or prior to the succeeding annual meeting of the members.

ARTICLE IV

Meetings of Directors

Section 1. Regular Meetings.

A regular meeting of the board of directors shall be held without notice other than this bylaw 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 in the area served by the Co-op 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 any three (3) directors. Persons authorized to call special meetings of the board of directors may fix the time and place in the area served by the Co-op. If all directors consent, a special meeting called by the directors may be held elsewhere.

Section 3. Notice.

Notice of the time, place and purpose of any special meeting of the board of directors shall be given at least five (5) days previous thereto, by written notice, delivered personally or mailed, to the directors at their last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. Quorum.

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

Section 5. Manner of Acting.

The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

ARTICLE V

Robert's Rules of Order

All meetings of the Co-op and the board of directors will be subject to the latest edition of Robert's Rules of Order with the exception that the chairperson is allowed to vote.

ARTICLE VI

Indemnification

The Co-op shall indemnify all persons who were or are directors, officers, agents and employees, against liability and expenses to the extent that the Michigan Nonprofit Corporation Act permits and so long as their acts or omissions constituting the grounds for the alleged liability were performed in their official capacity and, if actionable, were based on good faith business judgment and the belief that the acts or omissions were in the best interest of the Co-op.

ARTICLE VII

Officers

Section 1.

Number.

The officers of the Co-op shall be the Chairperson, Vice-Chair, Secretary, Treasurer, and such other officers as may be determined by the board of directors from time to time, including a President and Vice-Presidents. The office of Secretary and of Treasurer may be held by the same person.

Section 2.

Election and Term of Offices.

The officers, except for the President and any Vice-Presidents, shall be elected, by ballot, annually by and from the board of directors at the first meeting of the board of directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be as soon thereafter as conveniently may be. Each such officer shall hold office until the first meeting of the board of directors following the next succeeding annual meeting of the members or until a successor has been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers. The President and any Vice-Presidents shall be appointed by the board of directors and shall serve until they are terminated or reassigned by the board, or resign.

Section 3.

Removal.

Any officer or agent elected or appointed by the board of directors may be removed by the board of directors whenever in its judgment the best interest of the Co-op will be served thereby.

Section 4.

Vacancies.

Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the board of directors for the unexpired portion of the term.

Section 5.

Chairperson.

The Chairperson:

(a) Shall be a board member and shall preside at all meetings of the members and of the board of directors;

(b) Shall sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by resolution of the board of directors 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 bylaws to some other officer or agent of the Co-op, or shall be required by law to be otherwise signed or executed; and

(c) In general shall perform all duties incidental to the office of the Chair and such other duties as may be prescribed by the board of directors from time to time.

Section 6.

Vice-Chairperson.

In the absence of the Chair, or in the event of inability or refusal to act, the Vice-Chair shall perform the duties of the Chair, and when so acting

shall have all the powers of and be subject to all the restrictions upon the Chair and shall perform such other duties as from time to time may be assigned by the board of directors.

Section 7. President.

The President:

(a) Shall be the chief executive officer and manager of the Co-op. The President shall not be a board member;

(b) Shall be responsible for the overall operation of the Co-op and shall perform such additional tasks as assigned by the board.

Section 8. Vice-President.

The Vice-President:

The Vice-President or Vice-President(s) shall be appointed by the board and shall have such authority and responsibility as the board may assign. Each Vice-President shall be responsible to and report to the President. They shall not be board members.

Section 9. Secretary.

The Secretary shall be responsible for:

(a) Keeping the minutes of meetings of the members and of the board of directors in one or more books provided for that purpose;

(b) Seeing that all notices are duly given in accordance with these bylaws or as required by law;

(c) The safekeeping of the corporate records and of the seal of the Co-op and seeing that the seal of the Co-op is affixed to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Co-op under its seal is duly authorized in accordance with the provisions of these bylaws;

(d) Keeping a register of the post office address of each member which shall be furnished to the Secretary by such member;

(e) Signing, with the chairperson, certificates of membership, the issue of which shall have been authorized by resolution of the board of directors;

(f) General charge of the books of the Co-op in which a record of the members is kept.

(g) Keeping on file at all times a complete copy of the bylaws of the Co-op containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Co-op forwarding a copy of the bylaws and of all amendments thereto to each member; and

(h) In general performing all duties incidental to the office of Secretary and such other duties as from time to time may be assigned by the board of directors.

Section 10. Treasurer.

The Treasurer shall be responsible for:

(a) Custody of all funds and securities of the Co-op;

(b) The receipt of and the issuance of receipts for monies due and payable to the Co-op from any source whatsoever, and for the deposit of all such monies in the name of the Co-op in such depositories as shall be selected in accordance with the provisions of these bylaws; and

(c) In general performing all the duties incidental to the office of Treasurer and such other duties as from time to time may be assigned by the board of directors.

Section 11. Bonds of Officers.

The board of directors shall require the Treasurer or any other officer of the Co-op charged with responsibility for the custody of any of its funds or property, to give bond 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 Co-op to give bond in such amount and with such surety as it shall determine.

Section 12. Compensation.

The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director, shall be determined by the directors, as provided elsewhere in these bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed by the board of directors. Close relatives are those relatives or relatives-in-law closer than first cousins.

Section 13. Reports.

(a) The officers of the Co-op shall submit at each annual meeting of the members reports covering the business of the Co-op for the previous fiscal year and showing the condition of the Co-op at the close of such fiscal year.

(b) The Chairperson and Secretary of the Co-op shall prepare, sign and verify an annual report as provided for by the act under which the Co-op is incorporated. The report shall be filed in duplicate in the office of the Corporation and Securities Commission in the month of July or August of each year.

ARTICLE VIII

Contracts, Checks and Deposits

Section 1. Contracts.

Except as otherwise provided in these bylaws, the board of directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Co-op, 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 Co-op shall be signed by such officer or officers, agent or agents, employee or employees of the Co-op and in such manner as shall from time to time be determined by resolution of the board of directors.

Section 3. Deposits.

All funds of the Co-op shall be deposited from time to time to the credit of the Co-op in such depositories as the board of directors may select.

ARTICLE IX

Membership Certificates

Section 1. Certificates of Membership.

Membership in the Co-op shall be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the board of directors not contrary to, or inconsistent with, the articles of incorporation of the Co-op or these bylaws. Such certificate shall be signed by the President and by the Secretary of the Co-op and the corporate seal shall be affixed thereto.

Section 2. Issue of Membership Certificates.

No membership certificates shall be issued for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid.

Section 3. Lost Certificates.

In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Co-op as the board of directors may prescribe.

ARTICLE X

Non-profit Operation

Section 1. Interest or Dividends on Capital Prohibited.

The Co-op shall at all times be operated on a cooperative non profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Co-op on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Energy.

In the furnishing of services, the Co-op's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Co-op. In order to induce patronage and to assure that the Co-op will operate on a non-profit basis the Co-op is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of services in excess of operating costs and expenses properly chargeable against the furnishing of each service. All such amounts in excess of operating costs and expenses at the moment of receipt by the Co-op are received with the understanding that they are furnished by the patrons as capital. The Co-op is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Co-op shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Co-op shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to the patron's account, provided that individual notices of such amounts furnished by each patron shall not be required if the Co-op notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine the specific amount of capital so credited to their account.

All such accounts 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 Co-op corresponding amounts for capital.

In the event of dissolution or liquidation of the Co-op, after all outstanding indebtedness of the Co-op 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 Co-op will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Any such retirements shall commence with capital furnished prior to December 31, 1981, and shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Co-op being first retired. After 1981, the board of directors shall determine the method, basis, priority and order of retirement, if any, for all amounts thereafter furnished as capital. There shall be no retirement of amounts furnished as capital after December 31, 1981 until all capital furnished prior to that date has been retired.

Capital credited to the account of each patron shall be assignable only on the books of the Co-op pursuant to written instruction from the assignor and only to successors in interest or successor in occupancy in all or part of such patrons' premises served by the Co-op unless the board of directors, acting under policies of general application, shall determine otherwise. Provided further, however, on and after December 1, 1983, the following procedures shall apply for the separate retirement of the power supply portion of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Co-op by an organization furnishing electric or gas service to the Co-op. Such procedures shall: (a) establish a method for determining the power supply portion of capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Co-op's books of the power supply portion of capital credited to the Co-op's patrons, (c) provide for appropriate notifications to patrons with respect to the power supply portion of capital credited to their accounts, and (d) preclude a general retirement of the power supply portion of capital credited to patrons for any fiscal year (i) prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year or (ii) prior to the Co-op's actual receipt in each of the power supply capital credits from any power supplier.

Notwithstanding any other provision of these bylaws, 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 the decedent's 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 bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the board of directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Co-op will not be impaired thereby.

The patrons of the Co-op, by dealing with the Co-op, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Co-op and each patron, and both the Co-op and the patrons are bound by such contract as fully as

though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of the Co-op by posting in a conspicuous place in the Co-op's office.

ARTICLE XI

Waiver of Notice

Any member or director may waive, in writing, any notice of meetings required to be given by these bylaws. In case of a joint membership, a waiver of notice signed by either husband or wife shall be deemed a waiver of such meetings by both joint members.

ARTICLE XII

Disposition of Property

The Co-op may not sell, mortgage, lease or otherwise dispose of or encumber any of its property other than:

(a) property which in the judgment of the board of directors neither is nor will be necessary or useful in operating and maintaining the Co-op's system and facilities; provided, however, that all sale of such property shall not in any one (1) year exceed in value ten percent (10%) of the value of all of the property of the Co-op;

(b) services of all kinds, including electric or gas energy; and

(c) personal property acquired for resale.

All other transfers or encumbrances shall be authorized at a meeting of the members by the affirmative vote of at least two-thirds (2/3) of the members voting thereon at such meeting in person, by mail or by proxy, and the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting;

Provided, however, that the Co-op may not sell, lease or otherwise dispose of all or substantially all of its property and assets unless the same shall be authorized by the affirmative vote, in person, by mail or by proxy, of the majority of the entire membership of the Co-op (not merely those who attend the meeting) at a meeting of the members duly called for that purpose or shall be authorized by the written consent of the majority of the entire membership of the Co-op;

Provided further, however, that notwithstanding anything herein contained, the board of directors, without authorization by the members, shall have full power and authority to borrow money from United States of America, or any agency or instrumentality thereof, or from a national financing institution organized on a cooperative plan for the purpose of financing its members' programs, projects and undertakings, in which the Co-op holds membership, or from a financial institution incorporated under the laws of the State of Michigan or the United States of America, and in connection with such borrowing to authorize the making and issuance of bonds, notes or other evidences of indebtedness and, to secure the payment thereof, 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 of the property, assets, rights, privileges, licenses, franchises and permits of the Co-op, whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the board of directors shall determine.

ARTICLE XIII

Fiscal Year

The fiscal year of the Co-op shall begin on the first day of January of each year and end on the thirty-first day of December of the same year.

ARTICLE XIV

Membership in Other Organizations

The Co-op may become a member of any state association or other organization which will benefit the Co-op and promote the purpose for which it was created, by the affirmative vote of a majority of the directors at any regular or special meeting of the directors called as provided in these by-laws.

ARTICLE XV

Seal

The corporate seal of the Co-op shall be in the form of a circle and shall have inscribed thereon the name of the Co-op and the words iCorporate Seal, Michigan.†

ARTICLE XVI

Amendments

These bylaws may be altered, amended or repealed by the members of the Co-op or by the affirmative vote of two-thirds (2/3) of the board of directors, at any regular or special meeting of the members or of the board of directors, respectively, of which meeting notice shall have been given, provided that notice of such proposed alteration, amendment or repeal shall have been contained in the notice of such meeting; and provided further, that the board of directors shall not make, alter, amend or repeal any by-laws fixing their qualifications, classifications or terms of office. Any alteration, amendment or repeal by the board of directors shall be submitted for consideration at the next meeting of the members of the Co-op, provided that notice of the proposed submission shall have been given with the notice of the meeting, and any action then taken by the members with respect to such alteration, amendment or repeal shall be binding on the board of directors.

