



February 8, 2018

Dear SECO Energy member,

As explained in SECO News and the Annual Meeting Notice, the Board of Trustees has reviewed and is recommending a revision to four of the twelve SECO Energy Bylaws Articles. The revision is attached for your review.

Please note that the current Bylaws Articles are published in a 24-page document that would require a separate, costly mailing to deliver in paper format in its entirety. To view the full version of the Bylaws with the revision of the four Articles included in this mailing, please visit SECOEnergy.com and click the Annual Meeting banner. Select "Bylaws" to view the document. Use the handy web form to submit questions or comments about the proposed revision. If you prefer a full paper copy, please call and request it or stop by a Member Service Center to pick up.

Keep in mind that the Articles have not been revised since March 2003 - updating is needed and future revisions will likely follow in years to come. Though this year's revision is fairly brief and fully contained in this packet, I want to provide a brief summary of the revision by Article:

ARTICLE III - MEETINGS OF MEMBERS:

The proposed revision to this Article increases the amount of time allowed for members to submit their letter of intent to run for the position of Trustee.

ARTICLE VII - NON-PROFIT OPERATION:

The proposed revision to this Article clarifies that the Cooperative's apportionment of excess revenues is strictly aligned with Florida law. The revision specifically assigns the responsibility of determining the manner, method and timing of general and special capital credit retirements to the Board of Trustees. It further states that retirements are consistent with sound business and management practices and the financial stability of the Cooperative.

ARTICLE XI - OTHER:

The proposed revision requires claims related to the allocation of excess revenues or retirement of patronage capital to be settled through individual arbitration.

ARTICLE XII - AMENDMENTS:

The proposed revision to this Article allows the Cooperative to provide notice to members of proposed changes to the SECO Energy Bylaws by expanding delivery options to either an actual, digital or electronically linked copy of the proposed alteration, amendment or repeal along with the notice of the meeting during which the members will vote on the proposed revision.

Again, please feel free to submit comments or questions about the revision via our online form. If you prefer the U.S. mail, please direct your correspondence to my attention at the address above.

Most important, please attend the upcoming 2018 Annual Meeting on March 24 to vote on the proposed Bylaws revision. I am in favor of the proposed revision and look forward to seeing you at the meeting.

Sincerely,

A handwritten signature in black ink that reads "Jim Duncan". The signature is fluid and cursive.

Jim Duncan, CEO

SECOEnergy.com

ARTICLE III — MEETINGS OF MEMBERS

Section 7. Election Of Trustees

(b) In order for a member to be nominated at a district meeting for the position of trustee his or her name and intent to run for such position must be received by the Cooperative at the corporate headquarters to the attention of the ~~General-Manager CEO~~ within ~~ten-calendar fifteen (15)~~ days after the date of sending the notice of meeting unless such ~~tenth fifteenth~~ day is a Saturday, Sunday or legal holiday in which case it shall run to the end of the next day which is not a Saturday, Sunday or legal holiday. The Cooperative shall determine whether such prospective ~~candidates candidate~~ meets the qualifications of Section 2, Article IV of these Bylaws. The Secretary of the Cooperative shall, prior to the district meeting, certify the names of all prospective candidates who shall satisfy the said requirements.

ARTICLE VII — NON-PROFIT OPERATION Section

1. Apportionment of Excess Revenues

Florida law provides that revenues of the Cooperative “for any fiscal year in excess of the amount thereof necessary;

1. To defray expenses of the Cooperative and of the operation and maintenance of its facilities during such fiscal year;
2. To pay interest and principal obligations of the Cooperative coming due in such fiscal year;
3. To finance or to provide a reserve for the financing of the construction or acquisition by the Cooperative of additional facilities to the extent determined by the Board of Trustees;
4. To provide a reasonable reserve for working capital;
5. To provide a reserve for the payment of indebtedness of the Cooperative maturing more than 1 year after the date of the incurrence of such indebtedness in an amount not less than the total of the interest and principal payments in respect thereof required to be made during the next following fiscal year; and
6. To provide a fund for education in cooperation and for the dissemination of information concerning the effective use of electric energy and other services made available by the Cooperative, shall, unless otherwise determined by a vote of the members, be distributed by the Cooperative to its members as patronage refunds in accordance with the patronage of the Cooperative by the respective members paid for during such fiscal year. Nothing herein contained shall be construed to prohibit the payment by the Cooperative of all or any part of its indebtedness prior to the date when the same shall become due.” In accordance with this law the Board of Trustees in its discretion and business judgment may allocate the amount set forth in this section referred to as “excess revenues” if any should exist to the capital accounts of members rather than paying them in cash. The Board of Trustees may periodically choose to retire such excess revenues, as set forth in Article VII, Section 3 below when such retirement will not, in the opinion of the Board of Trustees, impair its financial wellbeing.

Section ~~24~~. Interest Or Dividends On Capital Prohibited

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

Section ~~23~~. Patronage Capital In Connection With Furnishing Electric Energy

In the furnishing of electric energy the Cooperative’s operations shall be so conducted that all ~~patrons members~~ 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 members~~ for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. 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~~ as capital. ~~The Such patronage capital amounts are not the same as “excess revenue.” The Cooperative is obligated to pay by will allocate~~ credits to a capital account for each ~~patron member~~ equal to the member’s pro rata share of all such amounts in excess of operating costs and expenses.

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 excess capital, if any, so furnished by each patron member is clearly reflected and credited in an appropriate record to the capital account of each patron member and the amount of excess capital so credited to his or her account. All such amounts credited to the capital account of any patron member shall have the same status as though they had been paid to the patron member in cash in pursuance of a legal obligation to do so and the patron member had then furnished the Cooperative corresponding amounts for capital.

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 that purpose allocated to its patron members on a patronage basis. ~~and a~~ Any amount so allocated shall be included as a part of the capital credited to the accounts of patrons members as herein provided.

In the event of dissolution or liquidation of the Cooperative after all outstanding indebtedness of the Cooperative shall have been paid ~~out-standing~~ outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on accounts of property rights of members. If at any time prior to dissolution or liquidation the Board of Trustees shall determine that the financial condition of the Cooperative will not be impaired thereby the capital then credited to ~~patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made in accordance with the directives of the Board of Trustees for such retirement. Amounts owed to the Cooperative for the purchase of electrical energy may be deducted from the capital credits refund to a member, former member, non-member or deceased member at the time such patronage capital credit refunds are made, but in no event shall such deduction be made from such refund except at the time of its actual payment~~ members' accounts may be retired in full or in part.

If the Cooperative separately identified and allocated capital credits representing capital credits or similar accounts allocated to the Cooperative by an Entity in which the Cooperative is or was a member, patron or owner then the Cooperative may retire and pay those associated capital credits when the Entity retires and pays the capital credits or similar accounts to the Cooperative. The Board of Trustees shall have the discretion in the exercise of its business judgment to determine the manner, method and timing of retiring capital credits.

Retirement of capital credits is the actual payment as provided by subsection (B) below, of patronage capital to the Cooperative members to whom it has previously been allocated. The Board of Trustees may in its discretion, utilize its business judgment to retire patronage capital as allocated on the books of the Cooperative so long as the retirement is consistent with sound business and management practices and the financial stability of the Cooperative will not be impaired thereby. If the Board of Trustees in its discretion, utilizes its business judgment to retire patronage capital to members either upon their death, termination of electric service or bankruptcy then the retirement may be discounted in the exercise of the Board of Trustees' business judgment.

When the Board of Trustees has determined, pursuant to section (a) above, that the patronage capital should be retired the retirement may be accomplished by a bill credit or by the mailing of payment or notice of payment to the last known address of record on file with the Cooperative. No interest shall be paid or payable by the Cooperative on any patronage capital furnished by its members.

Capital credited to the account of each patron member shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor.

Notwithstanding any other provision of these Bylaws the Board of Trustees in its discretion and business judgment shall have the power at any time upon the death of any patron member, if the legal representatives of his or her estate shall request in writing that the capital credited to any such patron member 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 member immediately upon such terms and conditions as the Board of Trustees, ~~acting under policies of general application~~ in its discretion and business judgment, and the legal representatives of such patron's member's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The Board of Trustees shall have the authority to charge against the capital credit account of any member or former member a monthly maintenance fee should the member or former member not claim their cash retirement of capital credit. The monthly maintenance fee will be used to cover the costs and expenses related to the administration of the capital credit program and unclaimed capital credits. Said authority may be exercised by the Board of Trustees at such time and in such manner as it deems appropriate.

Should any member or former member or other person fail to claim any cash retirement of capital credit or other payment within five years after payment has been made available to such person, this such failure will constitute any an irrevocable assignment and gift to the Cooperative. Any such funds once assigned shall

be allocated to all persons as additional capital credits who are members or former members in the year of allocation, pro rata, based on each member's patronage during the year of allocation.

The allocation shall become effective only upon the expiration of sixty ~~calendar~~ days following the giving of notice by mail to the last known address and the publication in a newspaper of general circulation in the Cooperative service area that unless said payment is claimed within said sixty-day period such assignment ~~and gift~~ shall become effective.

~~The patrons~~The Cooperative, b ~~Before retiring any capital credits to any member's account, the Cooperative shall deduct therefrom any amount owed by such member to the Cooperative, together with interest thereon at the legal rate accruing on judgments in effect when such amount became overdue, compounded annually.~~

~~The members~~ of the Cooperative, by dealing with the Cooperative acknowledge that the terms and provisions of the Articles of Incorporation, Articles of Conversion and Bylaws shall constitute and be a contract between the Cooperative and each ~~patron member~~ and both the Cooperative and the ~~patrons members~~ are bound by such contract as fully as though each ~~patron member~~ had individually signed a separate instrument containing such terms and provision. The provisions of this ~~a~~ Article of the Bylaws shall be called to the attention of each ~~patron member~~ of the Cooperative by posting electronically, ~~or in a conspicuous place in the Cooperative's office.~~

~~To the extent a member disagrees with the decisions of the Board of Trustees with respect to the allocation or retirement of capital credits or excess revenues, the member may seek arbitration pursuant to Article XI, Section 5 of these Bylaws but only after the member has first provided written notice to the Board of Trustees at least fifteen (15) days in advance of the next regularly scheduled monthly Board of Trustees' meeting and provided the Board of Trustees with a reasonable time to investigate and respond to the matter.~~

ARTICLE XI OTHER

Section 5. Dispute Resolution

~~If a controversy or claim arises out of or relates to the allocation of excess revenues or retirement of patronage capital and if requested by either the Cooperative or the member, then the Cooperative and the member shall resolve the controversy or claim by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules and the judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction. Controversies and claims must be settled through individual arbitration and not through collective or class action arbitration.~~

~~Section 5. Payment of Subscriptions to Publication of Cooperative~~

~~For the purpose of disseminating information devoted to the economical, effective and conservative use of electric energy, the Board of Trustees shall be authorized, on behalf of and for circulation to the members periodically, to subscribe to a newsletter or magazine and to provide by the payment of an annual subscription price from the amount accruing to each member so as to reduce such funds in the same manner as would any other expense of the Cooperative.~~

~~Section 6. Preference to Gender~~

~~Any reference to the male gender in these Bylaws shall be construed to mean either male or female gender.~~

ARTICLE XII – AMENDMENTS

These Bylaws may be altered, amended or repealed by the members at any regular or special meeting provided the notice of such meeting shall have contained ~~a~~either an actual, digital or electronically linked copy of the proposed alteration, amendment or repeal.