

## OFFICIAL NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF CITIZENS ELECTRIC CORPORATION

The **Annual Meeting** of Shareholders of Citizens Electric Corporation will be held at the American Legion Hall located at 98 Grand Avenue in the City of Perryville, State of Missouri, on the **21<sup>st</sup> day of April, 2011, at 6:30 p.m.** for the purpose of acting upon the following:

1. The reports of officers, directors and CEO.
2. The election of 4 directors for a term of 3 years each.

Pursuant to Article II, Section 3 of the Corporation's By-Laws, the Nominating Committee has nominated the following individuals as candidates in the 2011 election of directors for Citizens Electric Corporation:

TWO SUCCESSFUL CANDIDATES FROM EACH COUNTY LISTED BELOW  
TO SERVE FOR A THREE-YEAR TERM:

Ste. Genevieve / St. Francois County:

- Jon Bach, 22889 State Route N, St. Mary, MO 63673
- Herbert Fallert, 460 Oak Drive, Ste. Genevieve, MO 63670
- Charles Hurst, 24662 Roth Cemetary Road, St. Mary, MO 63673

Perry County:

- Tim Brewer, 286 PCR 506, Perryville, MO 63775
- Richard DeWilde, 908 Sunset Drive, Perryville, MO 63775
- Karl Klaus, 916 Sunset Drive, Perryville, MO 63775
- Roger Prost, 904 Allens Landing Road, Perryville, MO 63775
- Mark Wengert, 538 Highway NN, Perryville, MO 63775

The directors standing for election shall be elected by ballot at each Annual Meeting of the Shareholders to serve for three years or until their successors shall have been elected and qualified.

In all elections, each shareholder shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the shareholders. All questions shall be decided by a majority of the shareholders voting thereon in person or by proxy except as otherwise provided by law, the Articles of Incorporation or By-Laws of the Corporation. Directors may be elected by a plurality vote of the shareholders present in person or by proxy.

3. Consideration and vote on a proposition to amend Article VI of the Corporation's Articles of Incorporation so that when amended, said Article VI will read as follows:

~~The power to make, alter, amend or repeal the Bylaws of the Corporation shall be vested in the Board of Directors to the extent not inconsistent with these Articles of Incorporation.~~

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Added Language: **Bolded and underlined**

The number of members of Directors to constitute the Board of Directors shall be ten (10), and thereafter the number of Directors, shall be fixed by, and in the manner provided, in the Bylaws of the Corporation; any changes in the number of Directors, shall be reported to the Secretary of State of Missouri, within thirty (30) calendar days of such change.

The Bylaws of the Corporation may define and fix the qualifications method of nomination, election, appointment, and the duties and responsibilities of the Directors and Officers of the Corporation, and in addition, may fix a geographical area or areas from which the Directors shall be qualified, nominated, elected or appointed.

~~Citizens Electric~~ **The** Corporation shall indemnify and insure all present, past and future Directors, Officers, Employees and Agents of ~~Citizens Electric~~ **the Corporation** from all claims, actions, suits, attorney fees, costs, liabilities, judgments, payments and expenses to the maximum extent allowed by law.

The Bylaws of ~~Citizens Electric~~ **the** Corporation shall contain such provisions to indemnify and insure all present, past and future Directors, Officers, Employees and Agents of ~~Citizens Electric~~ **the Corporation** from all claims, actions, suits, attorney fees, costs, liabilities, judgments, payments and expenses to the maximum extent allowed by law.

The Bylaws of this Corporation may contain such other qualifications, restrictions, duties and responsibilities of its Directors and Officers not inconsistent with these Articles of Incorporation.

4. Consideration and vote on a proposition to amend Article IX of the Corporation's Articles of Incorporation so that when amended, said Article IX will read as follows:

The Bylaws of this Corporation may be altered, ~~changed~~, amended or repealed by the ~~affirmation~~ **affirmative** vote of not less than two-thirds (2/3) of all the directors at any regular or special meeting of the Board of Directors provided that the ~~Notice~~ **notice** of a ~~Special Meeting~~ **the meeting** shall have contained a copy of the proposed alteration, ~~change~~, amendment or repeal. **Furthermore, the Board of Directors may, by a majority vote thereof, elect that the Bylaws of this Corporation be altered, amended or repealed by the shareholders of the Corporation at any regular or special meeting of shareholders, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.**

5. Consideration and vote on a proposition to amend Section 3 of Article I of the By-Laws of the Corporation so that when amended, said Section 3 of Article I will read as follows:

**SECTION 3-Notice of Shareholders' Meetings.** Written or printed notice of each meeting of shareholders stating the place, day, and hour of the meeting, and in case of a special meeting or any annual meeting at which business requiring

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Added Language: **Bolded and underlined**

special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered or given not less than ten nor more than ~~thirty-sixty~~ days before the day 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 shareholder of record entitled to vote at such meeting. Any notices of a shareholders' meeting sent by mail shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid addressed to the shareholder at his or its address as the same appears in the records of the Corporation.

In addition to the written or printed notice provided for herein, the Corporation shall publish notice in a daily or weekly newspaper published in the city or county where the registered office of the Corporation is located, the insertion to be not less than ten days prior to the date of the meeting. Such notice shall be published once.

6. Consideration and vote on a proposition to amend Section 2 of Article II of the By-Laws of the Corporation so that when amended, said Section 2 of Article II will read as follows:

**SECTION 2–Qualifications.** No person shall be eligible to become or remain a director unless they are:

- (a) an individual shareholder of the Corporation or the duly constituted attorney in fact of a corporate shareholder;
- (b) age eighteen (18) or more;
- (c) a bonafide resident of the county in which a directorship term will expire or is otherwise vacant;
- (d) not in any way employed by or financially interested in a competing enterprise or a business selling electrical energy, services or supplies to the Corporation;
- (e) in good standing with the Corporation by not owing a delinquent debt to the Corporation during such director's term of office or within three (3) years prior to becoming a director; ~~and~~
- (f) not a convicted felon, by reason of a court conviction, plea of guilty or plea of no contest;;
- (g) not a Close Relative of an employee of the Corporation or any subsidiary thereof while a director and during the thirty-six (36) months immediately before becoming a director; and**
- (h) not employed by the Corporation or any subsidiary thereof while a director and during the thirty-six (36) months immediately before becoming a director.**

**The term “Close Relative” as used in these By-Laws means an individual who through blood, law or marriage is a spouse, child, stepchild, father, stepfather, mother, stepmother, brother, stepbrother, half-brother, sister, stepsister, half-sister, grandparent, grandchild, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law or daughter-in-law; or another individual who resides in the same residence. A standing director of the Corporation shall not be considered a Close Relative while serving in the**

**directorship position because of a marriage or legal action to which such director was not a party.**

No person shall remain a director unless they attend at least two of any three successive regular board meetings, but in no event shall a director be absent from more than two meetings on an annual basis, provided the health of the Director permits.

Upon establishment of the fact that a Director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such Director from office. Nothing contained in this Section shall affect in any manner whatsoever the validity of any action taken at any meetings of the Board of Directors.

7. Consideration and vote on a proposition to amend Section 4(a) of Article IV of the By-Laws of the Corporation so that when amended, said Section 4(a) of Article IV will read as follows:

**SECTION 4–President.** The President shall:

(a) Be the principal executive officer of the Corporation and unless otherwise determined by the ~~shareholders~~ **members** of the Board of Directors, shall preside at the meetings of the shareholders, the Board of Directors, and the Executive Committee of the Board of Directors.

8. Consideration and vote on a proposition to amend Article VI of the By-Laws of the Corporation so that when amended, said Article VI will read as follows:

**ARTICLE VI**

**Contract with Consumer**

In order to encourage the fullest possible use of the electric energy, the Corporation is obligated to account to all of its consumers on the basis of the proportion that the amount of business done with each consumer bears to the total business done with all consumers, 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 such operation costs and expenses at the moment of receipt by the Corporation are received with the understanding that they are furnished by the consumers as capital. The Corporation is obligated to pay by credits to a capital account for each consumer all such amounts in excess of such operating costs and expenses. The books and records of the Corporation 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 consumer is clearly reflected and credited in an appropriate record to the capital account of each consumer, and the Corporation shall within reasonable time after the close of the fiscal year make available the Capital Credit Allocation factor for the applicable year. All such amounts credited to the capital account of any consumer shall have the same status as though they had been paid

to the consumer in cash in pursuance of a legal obligation to do so and the consumer had then furnished the Corporation corresponding amounts for capital.

All other amounts received by the Corporation from its operations in excess of costs and expenses, 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 consumers and any amount so allocated shall be included as a part of the capital credited to the accounts of consumers as directed and on the terms and conditions set forth in the paragraph immediately preceding this paragraph.

In the event of dissolution or liquidation of the Corporation, after all outstanding indebtedness of the Corporation shall have been paid, outstanding credits of capital shall be retired without priority on a pro rata basis. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Corporation will not be impaired thereby, the capital then credited to consumers' accounts may be retired in full **or in part. Provided, however, that after April 21, 2011, the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply portion") of capital credited to the accounts of consumers which corresponds to capital credited to the account of the Corporation by an organization furnishing electrical service to the Corporation. Such rules shall: (a) establish a method for determining the power supply portion of capital credited to each consumer for each applicable fiscal year; (b) provide for separate identification on the Corporation's books of the power supply portion of capital credited to their accounts; (c) provide for appropriate notification to consumers 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 consumers for any fiscal year prior to the general retirement of "other capital" credited to consumers for the same fiscal year or of any capital credited to consumers for any prior fiscal year.**

The Corporation will not issue or mail any amount of less than ~~\$1.00~~ **\$5.00** unless requested by consumer. As to capital credits earned on or prior to March 31, 1996, any such retirements of capital 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 Corporation being the first to be retired. As to capital credits earned after March 31, 1996, any such retirements of capital may be made in any order of priority specified by the Board of Directors by resolution of general application. In no event, however, may any such capital be retired unless, after the proposed retirement, the financial condition of the Corporation will not be significantly impaired thereby. However, the Corporation, at the discretion of the Board of Directors, may retire capital credits to the estate of a deceased consumer-member who is a natural person. Capital credited to the account of each consumer shall be assignable only on the books of the Corporation pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or part of each consumer's premises served by the Corporation unless the Board of Directors acting under policies of general application shall determine otherwise.

The consumer of the Corporation, in dealing with the Corporation, acknowledges that the terms and provisions of this section ~~by~~of the by-laws shall constitute and be a contract between the Corporation and the consumer, and both the Corporation and the consumer are bound by such contract as fully as though each consumer had individually signed a separate instrument containing such terms and provisions. The provisions of this section of the by-laws shall be called to the attention of each consumer of the Corporation by an appropriate notice which shall be mailed to each consumer.

9. Consideration and vote on a proposition to amend Section 1(b)(2) of Article X of the By-Laws of the Corporation so that when amended, said Section 1(b)(2) of Article X will read as follows:

(2) If the Board of Directors, after receiving such appraisals (and other terms and conditions which are submitted, if any), determines that the proposal should be submitted for consideration by the shareholders, it shall first give every other electric cooperative sited and operating in Missouri (which has not made such an offer for such sale, lease, lease-sale, exchange, transfer or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric cooperatives which notice shall be attached to a copy of the proposal which the ~~Cooperative~~Corporation has already received and copies of the respective reports of the three (3) appraisers. Such electric cooperatives shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

10. All other business which may properly come before the meeting or any adjournment thereof.

The Board of Directors recommends shareholder approval of the revisions, amendments and changes to the Corporation's Articles of Incorporation and By-Laws as set forth herein.

ATTEST:

/s/Karl J. Klaus  
Secretary

/s/Alvin A. Franke  
President