

Bylaws

Appalachian Electric Cooperative

Reflecting Board Actions through January 2018

Bylaws of the Appalachian Electric Cooperative

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BYLAWS FOR APPALACHIAN ELECTRIC COOPERATIVE

Article I - Memberships

- 1.1 Eligibility.** Any natural person, firm, association, corporation, cooperative, business trust, partnership, federal, state or local government, or departments, agencies or any other political subdivision thereof (each hereinafter referred to as "person", "applicant", "him", or "his") shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by him, to receive electric service from Appalachian Electric Cooperative (hereinafter called the "Cooperative").
- 1.2 Application for Membership; Renewal of Prior Application.** Application for membership shall be made in writing on such form as provided by the Cooperative. The applicant shall agree to purchase electric power and energy from the Cooperative and to comply with and be bound by Rural Electric and Community Service Cooperative Act, all of 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"). 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 provided therefore by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.3 (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid to construction that may be required by the Cooperative, hereinafter called "related fees, deposits and contributions") which shall be refunded in the event the application is not approved. Any former member of the Cooperative may, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at the Tennessee legal rate on judgments in effect when such account first became overdue, compounded annually together with any related fees, deposits or contributions if required, 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.
- 1.3 Membership Fee; Service Security and Facilities Extension Deposits; Contributions in Aid to Construction.** The membership fee shall be as fixed from time to time by the Board of Directors. The membership fee (together with any related fees, deposits or contributions if required) shall entitle the member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative

(together with related fees, deposits, or contributions if required), shall be paid by the member for each additional service connection requested by him.

1.4 Joint Membership. A husband and wife, by specifically so requesting in writing, may be accepted into joint membership, or if one of them is already a member, may convert such membership into a joint membership. The words "member," "applicant," "person," "him" and "his", as used in these bylaws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing:

- a. the presence at a meeting of either or both shall constitute the presence of one member and a joint waiver of notice of the meeting;
- b. the vote of either or both shall constitute respectively, one joint vote; **PROVIDED**, if both be present but in disagreement on such vote, each shall cast only one-half (1/2) vote;
- c. notice to, or waiver of notice signed by, either, or both shall constitute, respectively, a joint notice or waiver of notice;
- d. suspension or termination in any manner of either shall constitute suspension or termination of the joint membership;
- e. either, but not both concurrently, shall be eligible to serve as a Director of the Cooperative, but only if both meet the qualifications required therefore.

1.5 Acceptance into Membership. Upon complying with the requirements set forth in Section 1.2, any applicant shall automatically become a member on the date of his connection for electric service; **PROVIDED**, the Board of Directors may by resolution deny an application and refuse to extend service upon its determination that the applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application should be denied for other good cause.

1.6 Purchase of Electric Power and Energy: Power Production by Member; Application of Payments to All Accounts. The Cooperative shall use reasonable diligence to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership, unless and except to the extent that the Board of Directors may in writing waive such requirement. The member shall pay for such service at the times, and in accordance with the rules, regulations, rate classifications, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.2. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with

Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative.

Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative, any payment by him for service from the Cooperative shall be deemed to be allocated and credited on a pro rata basis to his outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and proration.

1.7 Excess Payments to be Credited as Member-Furnished Capital. All amounts paid for electric service in excess of the cost thereof shall be treated as member-furnished capital as provided in Article IX of these bylaws.

1.8 Wiring of Premises; Responsibility Therefore; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification. Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the State of Tennessee, the National Electric Code, any applicable local government ordinances, and of the Cooperative. If the foregoing specifications are variant, the more exacting standards shall prevail. Each member shall be responsible for such premises and all wiring and apparatuses connected thereto or used thereon and shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance thereof.

Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have safe access thereto for meter reading and bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative'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 his best efforts to prevent others from so doing. Each member shall also provide such protection devices to his premises, apparatuses, or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities.

Although the Cooperative will use reasonable diligence in supplying electric service, it shall not be liable for breach of contract or in tort in the event of, or for loss, injury or damage to persons or property resulting from interruptions in service, excessive or inadequate voltage, single phasing, or otherwise unsatisfactory services. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have

prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing, or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative extend beyond the point of delivery.

- 1.9 Member to Grant Easement to Cooperative.** Each member agrees, as a condition of electric service, that the Cooperative has the right, without payment to the member, to construct, operate, maintain, and relocate all facilities for the furnishing of electric service and for any other service permitted by law over, on, and under all lands owned, leased or otherwise occupied by such member, to the extent of the member's property interest in such land and as permitted by law. Each member shall, upon being requested to do so by the Cooperative, (i) execute and deliver to the Cooperative grants of easement or right-of-way over, on, and under such lands owned or leased by or mortgaged to the member, and (ii) use all reasonable efforts to cause the execution and delivery to the Cooperative, by all parties with an interest in any lands owned, leased, or otherwise occupied by the member, grants of easement or right-of-way over, on and under any such lands. Such easements and rights-of-way shall include, at the Cooperative's discretion, all reasonable terms and conditions for the furnishing of electric service and for the use of the Cooperative's facilities for any other service permitted by law, including the construction, operation, maintenance or relocation of the Cooperative's electric facilities.
- 1.10 Nonliability for Debts of the Cooperative.** The private property of the member of the Cooperative shall be exempt from execution for the debts of the Cooperative, and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.
- 1.11 Change in Premises to be Served.** Any member who moves from one location to another shall be entitled to receive service at his new location if (a) the member notifies the Cooperative of his change in location, describing the new premises and the type and approximate amount of service desired therefore, (b) the new location is within the area of service of the Cooperative, as determined by the Board, and (c) such member pays a reasonable connection charge, and pays such other charges as may be necessary, the amounts of which shall be determined by the Board.

Article II – Membership Suspension and Termination

- 2.1 Suspension; Reinstatement.** Upon his failure, after the expiration of the initial time limit prescribed either in a specific notice to him or in the Cooperative's generally publicized applicable rules and regulations, to pay any amounts due the Cooperative or to cease any other non-compliance with his membership obligations, a person's membership shall automatically be suspended; and he shall not during such suspension be entitled to receive

electric service from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, and/or cessation of any other noncompliance with his membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the membership, in which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meetings of its members.

- 2.2 Termination by Expulsion; Renewed Membership.** Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 2.01, he may, without further notice, but only after due hearing if such is requested by him, be expelled by resolution of the Board at any subsequently held regular or special meeting of the Board. After expulsion of a member, he may not again become a member except upon new application therefore duly approved as provided in Section 1.5; but the Board acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all his membership obligations.
- 2.3 Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners.** The death of a natural person member shall automatically terminate his membership. **EXCEPT** that the surviving spouse of a deceased natural person member shall be eligible to vote and exercise all rights of a member until the surviving spouse's death, at which time the membership shall automatically terminate. The cessation of the legal existence of any other type of member shall automatically terminate such membership; **PROVIDED**, upon the dissolution for any reason of a partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly to occupy or use the premises being furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners; **PROVIDED FURTHER**, neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative.
- 2.4 Termination by Withdrawal or Resignation.** A member may withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to (or, with the approval of the Board of Directors resigning his membership in favor of a new applicant who also shall) own or directly occupy or use all premises being furnished electric service pursuant to his membership, or (b) except when the Board of Directors specifically waives such condition, abandoning totally and permanently the use of central station electric service on such premises.
- 2.5 Effect of Termination.** Upon the termination in any manner of a person's membership, he or his estate, as the case may be, shall be entitled to refund of his membership fee (and to his service security deposit, if any, theretofore paid the Cooperative), less any amounts due the Cooperative; but neither he nor his estate, as the case may be, shall be released from any debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or expulsion of a member, as provided for in Sections 2.1 and 2.2, such

suspension or expulsion shall not, unless the Board shall expressly so elect, constitute such release of such person from his membership obligations as to entitle him to purchase from any other person any central station electric power and energy for use at the premises to which such service has theretofore been furnished by the Cooperative pursuant to such membership.

- 2.6 Effect of Death, Legal Separation, or Divorce upon a Joint Membership.** Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint; **PROVIDED**, the estate of the deceased spouse shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership in the same manner and to the same effect as though such membership had never been joint; **PROVIDED**, the other spouse shall not be released from any debts due the Cooperative.
- 2.7 Board Acknowledgment of Membership Termination; Acceptance of Members Retroactively.** Upon the termination of a person's membership for any reason, the Board, so soon as practicable after such termination is made known to it, shall be appropriate resolution formally acknowledge such termination, effective as of the date on which the Cooperative ceased furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for, and the Board approves, membership retroactively to the date on which such person first began receiving such service.

Article III – Meetings of Members

- 3.1 Annual Meeting.** The annual meeting of the members shall be held on the first Saturday of the month of October each year, at such place in one of the counties in Tennessee within which the Cooperative serves, and beginning at such hour, as the Board shall from year to year fix. **PROVIDED**, for cause sufficient to it, the Board may fix a different day for such annual meeting not more than thirty (30) days prior or subsequent to the day otherwise established for such meeting in this Section. It shall be the responsibility of the Board to make adequate plans and preparations for, and to encourage member attendance at the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.
- 3.2 Special Meeting.** A special meeting of the members may be called by the Board, by that number of directors that is one (1) less than a majority of the directors in office, or by petition signed by no fewer than ten (10%) percent of the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.3. Such a meeting shall be held at such place in one of the counties in Tennessee within which the Cooperative serves, on such date, not sooner than forty (40) days after the call for such meeting is made or a petition therefore is filed, and beginning at such hour as shall be designated by those calling the same.

3.3 Notice of Member Meetings. Written or printed notice of the place, date, and hour of the meeting and in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting shall be delivered to each member, by mail, by the Secretary (and, in the case of a special meeting, at the direction of those calling the meeting). Any such notice may be included with member service billings or as an integral part of the Cooperative's newsletter or magazine. No matter the carrying of which, as provided by law, requires the members shall be acted upon at any meeting of the members unless notice of such matter shall have been contained in the notice of the meeting. Such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage hereon prepaid and postmarked not later than the minimally required days prior to the meeting date that notice must be given, as follows:

- (1) except as otherwise provided in these bylaws, not less than ninety (90) days prior to the date of a meeting of the members at which the Cooperative's dissolution or the sale or lease-sale of all or any substantial portion of its assets and properties devoted to and used or useful in furnishing electrical service is scheduled to be considered and acted upon; or
- (2) except as otherwise provided in these bylaws, not less than ninety (90) days prior to the date of a meeting of the members of the Cooperative at which a merger or consolidation with one or more other cooperatives is scheduled to be considered and acted upon; or
- (3) if subdivision (1) or (2) foregoing is not applicable, not less than five (5) nor more than sixty (60) days prior to the date of the meeting.

The incidental and non-intended failure of any member to receive such notice shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objections shall notify the Secretary prior to or at the beginning of the meeting of his objection.

3.4 Quorum. A quorum for the transaction of business at meetings of the members shall, except as provided in the next following sentence, be the lesser of two percent (2%) of all members or one hundred (100) members; and, once such a quorum is established, the meeting may proceed to transact all business that may lawfully come before it so long as at least the lesser of one percent (1%) of all members or fifty-one (51) members remain present. In the case of a meeting of the members at which the dissolution of the Cooperative or the sale or lease-sale of all or any substantial portion of its assets and property devoted to and used or useful in furnishing electric service is scheduled to be considered and acted upon pursuant, the quorum requirement shall be and shall remain through the meeting ten percent (10%) of all members.

If, at any member meeting, less than the required quorum is present to enable the meeting to be in transacting business, or if the quorum requirement for it to continue ceases to exist, a majority of those present may adjourn the meeting from time to time without further notice; PROVIDED, if a majority of those present in person so resolve, the Secretary shall notify any absent member of the time, day and place of such adjourned meeting by delivering notice thereof as provided in section 3.3. At all meetings of the members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person.

- 3.5 Voting.** Each member who is not in a status of suspension, as provided for in Section 2.1, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote. At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation or these bylaws.

Voting for directors shall be conducted before the annual meeting of the members as further described herein. Voting for directors may be by secret ballot, by mail, or other electronic means as approved and prescribed by the Board of Directors.

If voting for Directors shall be “in person” at a particular location, at least thirty (30) calendar days (inclusive of State and Federal holidays) prior to the annual meeting, the Secretary shall mail to the members or publish notice in newspapers of general circulation, a schedule of times and location(s) where said voting will be conducted. Such “in person” voting shall take place at the identified locations for a period of ten consecutive business days (i.e., Monday-Friday), excluding State and Federal holidays. All “in person” voting shall end at least five business days prior to the annual meeting. For example: if the annual meeting is scheduled for September 23 (a Saturday), the first day of “in person” voting would be September 1 (a Friday) and the last day of voting would be September 15 (September 4 was excluded as Labor Day, a holiday).

If voting for Directors is permitted by mail, ballots and member verification documentation shall be mailed to all members at least twenty business days prior to the annual meeting. Said ballots shall contain a return address, where they shall be mailed via United States mail. All mail ballots must be post marked on or before the date identified on the mail ballot and as further prescribed by the Board of Directors.

No proxy voting is permitted for Director elections.

Votes cast for Directors shall be tabulated by representative(s) of the Credentials Committee or the Committee’s appointed designee(s) and the results announced at the meeting of the members.

The Board of Directors, may, in their discretion, chose to utilize a third party administrator or service, regarding the balloting and voting process.

3.5A Proxies. At any meeting of the members or any adjournment thereof, any member may vote by proxy, but only if such proxy:

- a. is registered with the Secretary or his duly designated registrar before or at the time of the meeting or any adjournment thereof, or, if such proxy is to be voted on any matter the carrying of which requires the affirmative votes of as many as a majority of all the Cooperative's members, is registered with the Cooperative at its principal office during normal business hours on or before the third business day next preceding the date of the meeting or any adjournment thereof, as the case may be
- b. is executed by the member in writing and designates the holder thereof (and, if the member so desires an alternative holder thereof and/or conferring upon the holder(s) full power of substitution), which holder(s) shall be the member's spouse, an adult close relative (18 years or older) residing in the same household as the member, or another member who is a natural person, and
- c. specifies the particular meeting (and/or any adjournment thereof at which it is to be voted and is dated not more than ninety (90) days prior to the date of such meeting or any adjournment thereof; **PROVIDED**, any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; **AND PROVIDED FURTHER**, any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member a such adjournment. A proxy may be unlimited as to the matters on which it may be noted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executes two or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at a meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. No person shall vote as proxy for more than three (3) members on any matter other than a proposal to sell, lease-sell or otherwise dispose of or encumber all or a substantial portion of the Cooperative's properties that are devoted to and used or useful in the furnishing of electric service or to dissolve the Cooperative, in either of which cases a person may vote as proxy for as many as but no more than ten (10) members.
- d. proxy voting is not permitted in elections for Directors.

Notwithstanding the foregoing provisions of this Section, whenever, although himself absent from a meeting of the members, a member's spouse attends such meeting, such spouse shall be deemed to hold and may exercise and vote, the proxy of such member to the same extent that he could vote if present in person, unless he has given a written proxy to some other person eligible to vote such proxy.

3.6 Credentials and Election Committee. The Board of Directors shall, at least thirty (30) business days before any meeting of members, appoint a Credentials Committee, consisting of an uneven number of members and who are not existing Cooperative employees, agents, officers, or directors, and who are not close relatives or members of the same household thereof. The Committee shall select its own chairman prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member eligibility verification and voting, to pass upon all questions that may arise with respect to the registration and qualifications to vote of members, to count all votes cast, and to rule upon all other questions that may arise relative to voting. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. Any protest or objection to any ruling of the Credentials and Election Committee must be filed during or within three (3) business days following the adjournment of the meeting. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) business days after such protest(s) or objection(s) is (are) 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 any opposing evidence; and the Committee, by vote of a majority of those present and voting, shall within a reasonable time, but not later than ten (10) business days after such hearing, render its decision. The Committee may not act on any matter unless a majority of the Committee is present. The Committee's decision on all matters covered by this section shall be final, subject only to a contrary holding by a Court, and the report or certificate of its decision shall constitute prima facie evidence of the facts stated therein.

3.7 Order of Business. The order of business at the annual meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (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 giving thereof, or of 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) Announcement of the results of the election of directors;
- (6) Unfinished business;
- (7) New business; and
- (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 any action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business; PROVIDED, no business

other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

Article IV – Directors

4.1 Number and General Powers. The business and affairs of the Cooperative shall be managed under the direction of a board of nine (9) directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or Bylaws conferred upon or reserved to the members.

4.2 Qualifications. A Director or Director Candidate must comply with this Bylaw.

a. **General Director Qualifications.** To become or remain a Director, a Person must comply with the following general qualifications (“General Director Qualifications”):

- (1) be an individual;
- (2) be at least eighteen years of age and have the capacity to enter legally binding contracts;
- (3) while a Director, and during the five years immediately before becoming a Director, not: (A) be convicted of any felony, or any Class A or B misdemeanor; and (B) plead guilty to any felony or Class A or B misdemeanor;
- (4) for all new Directors elected or appointed after May 2009, except as otherwise provided by the Board for good cause, receive a Credentialed Cooperative Director designation, Director’s Certificate, or similar certification from the National Rural Electric Cooperative Association within three years of becoming a Director;
- (5) except as otherwise provided under Section 4.8.B, any Director who misses three consecutive meetings or a total of five meetings within any period of twelve months shall be ineligible to remain as a Director; and
- (6) comply with any other reasonable qualifications determined by the Board or the Members.

b. **Membership Director Qualifications.** To become or remain a Director, an individual must comply with the following qualifications (“Director Qualifications”):

- (1) while a Director, be a Member of the Cooperative; and
- (2) while a Director and during the one year immediately before becoming a Director: (A) be an unsuspended Member; (B) for at least six months each calendar year, personally Occupy and Receive electric service at the individual’s primary residential abode, which abode must be within the Director District from which the Director is nominated, elected and/or appointed;
- (3) be elected by the membership or appointed by the Board.

- c. **Conflict of Interest Director Qualifications.** To become or remain a Director, an individual must comply with the following conflict of interest qualifications (“Conflict of Interest Director Qualifications”):
- (1) annually complete and sign a conflict of interest certification and disclosure form approved by the Board;
 - (2) while a Director, not be a Close Relative of either another Director or any Cooperative employee;
 - (3) not be an employee nor a former employee, nor the spouse of a former employee of the Cooperative, and not be an employee, nor the spouse of an employee, of an entity controlled by the Cooperative by way of the Cooperative owning a majority interest in the entity;
 - (4) while a Director, not be a paid Representative, nor the spouse of a paid Representative, of any Bargaining Unit that represents an Employee group of the Cooperative;
 - (5) while a Director and during the one year immediately before becoming a Director, not personally receive nor have a Close Relative that personally receives more than ten percent of the person’s annual gross income, other than insurance or Director compensation income, directly or indirectly from the Cooperative or entity controlled by the Cooperative;
 - (6) while a Director and during the one year immediately before becoming a Director, not advance or have a Close Relative that advances the individual’s pecuniary interest by competing with the Cooperative or a Cooperative Subsidiary;
 - (7) while a Director, not be employed by another Director or be employed by, or receive more than ten percent of annual gross income from, an entity for which another Director controls, owns more than ten percent, or is a director or officer;
 - (8) while a Director and during the one year immediately before becoming a Director, not be employed by, control, or own more than ten percent of, serve as a director or officer of, or receive more than ten percent of annual gross income from an entity that: (A) advances the entity’s pecuniary interest by competing with the Cooperative or a Cooperative Subsidiary; (B) receives more than ten percent of its annual gross income directly or indirectly from the Cooperative or a Cooperative Subsidiary or Members; or (C) is in a business engaged in the construction and maintenance (including right-of-way maintenance) of distribution and/or sub-transmission lines of the Cooperative; and
 - (9) while a Director, not be an incumbent of or candidate for an elective public office in connection with which a salary is paid.
- d. **Director Disqualification.** After being elected, designated, or appointed, if a Director does not comply with all General Director Qualifications, Member Director Qualifications, and Conflict of Interest Director Qualifications (collectively, “Director Qualifications”), then, except as otherwise provided by the

Board for good cause or otherwise provided in Sections 4.8.A and 4.8.B, the Board may disqualify the Director and the individual is no longer a Director if:

- (1) the Board notifies the Director in writing of the basis for, and provides the Director an opportunity to comment regarding, the Board's proposed disqualification; and
- (2) within forty days after the Board notifies the Director of the proposed disqualification, the Director neither complies with nor meets the Director Qualification.

If a majority of Directors authorized by the Bylaws complies with the Director Qualifications and approves a Board action, then the failure of a Director to comply with the Director Qualifications does not affect the Board action.

Notwithstanding any other foregoing provisions of this section dealing with close relative relationships, no incumbent director shall lose eligibility to remain a director or to be re-elected as a director if, during his incumbency as a director, he becomes a close relative of another incumbent director or of a Cooperative employee because of a marriage or adoption to which he was not a party nor shall any incumbent director lose eligibility to remain or be re-elected as a director if serving at the time of adoption of these bylaws. Nothing in this Section shall, or be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the board unless such action is taken with respect to a matter which is affected by the provisions of this section and in which one or more of the directors have an interest adverse to that of the Cooperative. Upon establishment of the fact that a nominee for director lacks eligibility under this Section or as may be provided elsewhere in these bylaws, it shall be the duty of the chairman presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. Upon the establishment of the fact that any person being considered for, or already holding, a directorship or other position of trust in the Cooperative lacks eligibility under this Section, it shall be the duty of the board to withhold such position from such person, or to cause him to be removed therefrom, as the case may be. Nothing contained in this Section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the board, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more of the directors have an interest adverse to that of the Cooperative.

- 4.3 Election.** At each annual meeting of the members, directors shall be elected by secret written ballot by the members and, except as provided in the first provision of Section 4.2 of these bylaws, from among those members who are natural persons; PROVIDED, when the number of nominees does not exceed the number of directors to be elected from a particular Directorate District, and if there is no objection, secret written balloting may be dispensed with in respect of that particular election and voting may be conducted in any other proper manner. Directors shall be elected by a plurality of the votes cast. The Credentials Committee will make the final decision on directors in case of a tie vote.

- 4.4 Tenure.** Directors shall be so nominated and elected that one director from or with respect to each of Directorate Districts Nos. 1, 2, and 5 shall be elected for three-year terms at an annual member meeting; one director from or with respect to each Directorate Districts Nos. 4, 6, and 9 shall be elected for three-year terms at the next succeeding annual member meeting; and one director from or with respect to each of Directorate Districts Nos. 3, 7, and 8 shall be elected for three-year terms at the next succeeding annual member meeting, and so forth. Upon their election, directors shall, subject to the provisions of these bylaws with respect to the removal of directors, serve until the annual meeting of the members of the year in which their terms expire or until their successors shall have been elected and shall have qualified. If for any reason an election of directors shall not be held at an annual meeting of the members duly fixed and called pursuant to these bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special or the next annual meeting of the members. Failure of an election for a given year shall allow the incumbents whose directorships would have been voted on to hold over only until the next member meeting at which a quorum is present and they or their successors shall be elected, whichever be the case.
- 4.5 Directorate Districts.** The territory served by the Cooperative shall be divided into nine (9) Directorate Districts. Each District shall be represented by one director from each District. The description of each Directorate District shall be maintained in the general offices of the Cooperative. Notwithstanding the Directorate District descriptions shall be reviewed every year by the Board of Directors, not less than ninety (90) days prior to the earliest date on which the annual member meeting may be scheduled by these bylaws to be held. If the board determines that, having an equitable regard for the number of members served therein, other communities of interest and boundaries that are readily ascertainable, the boundaries or number of Districts should be altered or that the number of directors should be increased or reduced, the Board shall amend these bylaws accordingly and may, after such amendments become effective, appoint additional directors provided for by such amendments, and may fix their respective initial terms, not to exceed three years. The Board of Directors shall cause all such amendments and the names, addresses and initial terms of any such newly appointed additional directors to be noticed in writing to the members not less than ten (10) days prior to the date on which the Committee on Nominations for the next annual member meeting shall first convene, and shall also, in timely advance of such Committee meeting, inform the members of the names, addresses, and telephone numbers of the members of the Nominations Committee and of the date, hour and place of that Committee's first meeting. From and after the date of such notice of amendments, these bylaws shall have been effectively amended accordingly, and any change so made by action of the Board shall be in full force and effect until at least the completion of the election of directors at the annual meeting of the members first held in accordance with such changes PROVIDED, no such change shall be so effectuated as to expand the existing terms of an incumbent director or to compel the vacancy of any director's office prior to the time his term would normally expire, unless such director consents thereto in writing.
- 4.6 Nominations.** It shall be the duty of the Board of Directors to appoint, not less than ninety (90) nor more than one-hundred twenty (120) days prior to the date of a meeting of the

members at which the directors are to be elected, a Committee on nominations, consisting of nine (9) members of the Cooperative who are not existing Cooperative employees, agents, officers, directors or known candidates for director or close relatives or members of the same household thereof, and who are so selected that each of the Cooperative's Directorate Districts shall have representation thereon in proportion to the authorized number of directors from or with respect to such District. The Committee shall prepare and post in an appropriate place at the principal office of the Cooperative at least sixty (60) days prior to the meeting a list of nominations for the directors to be elected, listing separately the nominee for each Directorate District from or with respect to which a director must, pursuant to this Article, be elected at the meeting. Any fifteen (15) or more members of the Cooperative, acting together, may make additional nominations in writing over their signatures, listing their nominee in like manner, not less than seventy-five (75) days nor more than one-hundred twenty (120) days prior to the meeting, and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted. The Secretary shall mail to the members with the notice of the meeting, or separately but not less than the number of days prior to the meeting required for delivery of such notice, a statement of the names and addresses of all nominee(s) for each Directorate District from or with respect to which a director is to be elected, showing clearly those nominated by the Committee and those nominated by petition, if any. After being nominated by the Committee on Nominations, should any nominee become ineligible or unable to serve before the Annual Meeting of the Membership, the Committee on Nominations shall reconvene and nominate another nominee of that Directorate District. (This second nominee's information may not be included in the notification to the Membership.) Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of directors.

4.7 Voting for Directors/Validity of Board Action. In the election of directors, each member shall be entitled to cast the number of votes (but not cumulatively), which corresponds to the total number of directors to be elected, but no member may vote for more than one nominee from or with respect to any particular Directorate District. Ballots marked in violation of the foregoing restriction with respect to one or more Directorate Districts shall be invalid and shall not be counted with respect to such District or Districts. Notwithstanding the provisions contained in this Section, failure to comply with any of them shall not affect in any manner whatsoever the validity of any action taken by the Board after the election of directors.

4.8 A Removal of Directors by Members. Any member may bring one or more charges against any one or more directors, alleging acts or omissions adversely affecting the business and affairs of the Cooperative and amounting to actionable negligence, malfeasance, misfeasance, nonfeasance, fraud or criminal conduct, and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition, signed by not less than two percent (2%) of the total membership of the Cooperative, which calls for a special member meeting thereon and specifies the place, time, and date thereof not less than forty (40) nor more than forty-five (45) days after the filing of such petition, or which requests that the matter be acted upon at the subsequent

annual member meeting if such meeting will be held no sooner than forty (40) no more than ninety (90) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s) is (are) being made. The petition shall be signed by each member in the same name as he is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made and of the member(s) filing the charge(s) shall be contained in the notice of the meeting or separately noticed to the members not less than five (5) days prior to the member meeting at which the matter will be acted upon; PROVIDED, the notice shall set forth (by random selection but otherwise in alphabetical order) only twenty (20) of the names and addresses of the charging members if twenty (20) or more members file the same charge(s) against the same director(s).

Such director(s) shall be informed in writing of the charges after they have been validly filed and at least twenty-five (25) days prior to the meeting of the members at which the charge(s) are to be considered, shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s), and shall be heard last; and the person(s) bringing the charge(s) shall have the same opportunity, but shall be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting; PROVIDED, the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents, or otherwise; AND PROVIDED FURTHER, no director shall be so removed from office for the reason that he, in good faith and believing such to be in the best interests of the Cooperative and of its present and future members, failed or declined to support, or that he opposed, (1) a proposal to sell or lease-sell all or a substantial portion of the Cooperative's assets and properties or to dissolve the Cooperative, or (2) a motion to notify the Cooperative's members of a proposal received by the Cooperative for such a sale, lease-sale or dissolution, or (3) a motion or any other effort to call a meeting of the Cooperative's members to consider an act upon a proposal for such a sale, lease-sale or dissolution. Any vacancy created by such removal shall be filled as described in Section 4.09.

- 4.8 B** Any director who misses three consecutive meetings or a total of five meetings within any period of twelve months shall be ineligible to remain as a director and shall be considered automatically removed from the Board unless the Board, in its sole discretion, by resolution waives this eligibility requirement as to a particular Board Member for the event causing the triggering of ineligibility for that member because the best interests of the Cooperative would be served by so doing. The automatic removal would be effective at the close of any meeting in which the ineligibility violation of this bylaw occurs, and any waiver resolution will be required to be passed by the Board prior to the close of that meeting.
- 4.9** **Vacancies.** Any vacancy occurring in the Board of Directors shall be filled by the Board of Directors. A director thus elected shall be from or with respect to the same Directorate

District as was the director whose office was vacated and shall serve out that director's unexpired term or until a successor is elected and qualified.

- 4.10 Compensation; Expenses.** Directors shall, as determined by resolution of the Board of Directors, receive on a per diem basis a fixed fee, which may include insurance benefits, for attending meetings of the Board of Directors and, when approved by the Board of Directors, for otherwise performing their duties. The fee or fees fixed for otherwise performing their duties need not be the same as the fee fixed for attending meetings of the Board of Directors. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred, in performing their duties. No close relative of a director shall be employed by the Cooperative and no director shall receive compensation for serving the Cooperative in any other capacity, unless the employment of such relative or the service of such director is temporary and shall be specifically authorized by a vote of the Board of Directors or the members upon a determination that such was an emergency measure; **PROVIDED**, a director who is also an officer of the Board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the unanimous vote of the remaining directors, **AND PROVIDED FURTHER**, an employee shall not lose eligibility to continue in the employment of the Cooperative if he becomes a close relative of a director because of a marriage to which he was not a party.
- 4.11 Rules, Regulations, Rate Schedules, and Contracts.** The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate classifications, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Cooperative's Articles of Incorporation or bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.
- 4.12 Accounting System and Reports.** The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books, and records reflecting financial operations during, and financial conditions as of the end of, such year. A summary of such audit reports shall be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.
- 4.13 Subscription to Cooperative's Newsletter; Subscription to Statewide Publication.** For the purpose of disseminating information devoted to the economical, effective, and conservative use of electric energy, the Board of Directors shall be empowered, on behalf of and for circulation to the member periodically, to subscribe to any Cooperative's newsletter. The annual subscription price for which shall be not less than \$2.00, which shall be deducted from any funds accruing in favor of such members, so as to reduce such funds in the same manner as would any other expense of the Cooperative. The Board of Directors

shall also be empowered, on behalf of and for circulation to the members periodically, to subscribe to any statewide or national publication. The annual subscription price for which shall be not less than \$2.00 and which shall be deducted from any funds accruing in favor of such members, so as to reduce such funds in the same manner as would any other expense of the Cooperative.

- 4.14 "Close Relative" Defined.** As used in these bylaws, "close relative" means a person who by blood or in-law, including step, half, and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece of the principal.

Article V – Meetings of Directors

- 5.1 Regular Meetings.** A regular meeting of the Board shall be held, without notice, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual member meeting. A regular meeting of the Board shall also be held monthly at such date, time, and place in one of the counties in Tennessee within which the Cooperative serves, as the Board shall provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the day, time and place thereof, except when business to be transacted thereat shall require special notice; **PROVIDED**, any director absent from any meeting of the Board at which such a resolution initially fixes or makes any change in the day, time, or place of a regular meeting shall be entitled to receive notice either written or by electronic means, including email, of such at least five (5) days prior to the next meeting of the Board; **AND PROVIDED FURTHER**, if a policy therefore is established by the Board, the President may change the day, time or place of a regular monthly meeting for good cause and upon at least five (5) days' notice thereof to all directors.
- 5.2 Special Meetings.** Special meetings of the Board may be called by board resolution, by the President, or by any four (4) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.4. The Board, the President, or the directors calling the meetings, which shall be held in one of the counties in Tennessee within which the Cooperative serves unless all directors consent to its being held in some other place in Tennessee or elsewhere. Special meetings may also be held via telephone conference call, without regard to the actual location of the directors at the time of such a telephone conference meeting, if all the directors consent thereto.
- 5.3 Notice of Directors Meetings.** Written, oral, electronic, or email notice of the day, time, place, or of the scheduled day and time of a telephone conference call, and purpose(s) of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each director not less than five (5) days prior thereto, either personally, by mail, electronically, or by email, by or at the direction of the Secretary, or upon a default in this duty by the secretary, by him or those calling it in the case of a special meeting or by any director in the case of a meeting whose day, time and place have already been fixed by the Board resolution. If

mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at his address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. If electronically or via email, such notice shall be deemed to be delivered upon date and time the notice is sent. The attendance of a director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

- 5.4 Quorum.** The presence in person of a majority of the directors in office shall be required for the transaction of business and the affirmative votes of a majority of the directors present and voting shall be required for any action to be taken; **PROVIDED**, a director who has a conflict of interest in a matter to be considered shall not, with respect to that matter, be counted in determining the number of directors in office or present; **AND PROVIDED FURTHER**, if less than a quorum be present at a meeting a majority of the directors present may adjourn the meeting from time to time, but shall cause the absent directors to be duly and timely notified of the day, time and place of such adjourned meeting.

Article VI – Officers, Miscellaneous

- 6.1 Number and Title.** The officers of the Cooperative shall be a President, Vice President, Secretary, and Treasurer, and such other officers as may from time to time be determined by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person.
- 6.2 Election and Term of Office.** The four officers named in Section 6.01 shall be elected by ballot, annually, and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of the bylaws with respect to the removal of directors and to the removal of officers by the Board of Directors. Any other officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities, and authorities, as the Board of Directors may from time to time deem advisable.
- 6.3 Removal.** Any officer, agent, or employee elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served.
- 6.4 Vacancies.** A vacancy in any office elected or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term,

6.5 President. The President shall –

- a. be the principal executive officer of the Board and shall preside at all meetings of the Board and, unless determined otherwise by the board, at all meetings of the members;
- b. sign, with the Secretary, certificates of membership the issue of which shall have been authorized by resolution of the Board, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board, to be executed, except in cases in which, the signing and execution thereof shall be expressly delegated by the Board or by these bylaws to some 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 incident to the office of President and such other duties as may be prescribed by the Board from time to time.

6.6 Vice President. In the absence of the President, or in the event of his 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; and shall perform such other duties as from time to time may be assigned to him by the board.

6.7 Secretary. The Secretary shall –

- a. keep, or cause to be kept, the minutes of meetings of the members and of the board in one or more books provided for that purpose;
- b. see that all notices are duly given in accordance with these bylaws or as required by law;
- c. be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and 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 bylaws or is required by law;
- d. keep, or cause to be kept, a register of the name and post office address of each member, which address shall be furnished to the Cooperative by such member;
- e. sign, with the President, certificates of membership the issue of which shall have been authorized by resolution of the board;
- f. have general charge of the books of the Cooperative in which a record of the members is kept;
- g. keep or cause to be kept at all times a complete copy of the Cooperative's Articles of Incorporation and Bylaws, together with all amendments thereto, which copies shall always be open to the inspection of any member, at any reasonable times, and, at the expense of the Cooperative, furnish a copy of such documents set forth in this paragraph and of all amendments thereto upon request to any member; and
- h. in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the board.

6.8 Treasurer. The Treasurer shall -

- a. have charge and custody of and be responsible for all funds and securities of the Cooperative;
- b. receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or banks or in such financial institutions or securities as shall be selected in accordance with the provisions of these bylaws; 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 him by the Board of Directors.

6.9 Delegation of Secretary's and Treasurer's Responsibilities. Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6.7 and 6.8, the board by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one or more agents, other officers, or employees of the Cooperative who are not directors. To the extent that the board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities, and authorities.

6.10 General Manager/Executive Vice President. The Board of Directors may appoint a General Manager, who may be, but who shall not be required to be, a member of the Cooperative, and who also may be designated Executive Vice President. Such officer shall perform such duties as the board may from time to time require and shall have such authority as the board may from time to time vest in him.

6.11 Bonds. The Board of Directors shall require the Treasurer and any other officer, agent, or employee of the Cooperative 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 shall determine. The board in its discretion may also require any other officer, agent, or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

6.12 Compensation; Indemnification. The compensation, if any, of any officer, agent, or employee who is also a director or close relative of a director shall be determined as provided in Article IV, Section 4.10, of the bylaws, and the powers, duties and compensation of any other officers, agents, and employees shall be fixed in a plan therefore approved by the Board of Directors. The Cooperative shall indemnify present and former Cooperative directors, officers (including the General Manager or, if so titled, the Executive Vice President), agents and employees against liability and costs of defending against liability, and shall purchase insurance in reasonable face amounts to cover such indemnification to the fullest extent such insurance is available, to the fullest extent permissible by law, including Sections 48-58-301 through 48-58-601 (Section 304 excluded) of the Tennessee Nonprofit Corporation Act, as the same may from time to time be amended.

- 6.13 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 year and showing the condition of the Cooperative at the close of such fiscal year.
- 6.14 Committees.** The President, subject to board approval, shall appoint members, and specify the functions, of any committees, which are deemed necessary to assist the board in the performance of its duties and responsibilities. In addition to other committees, the President may appoint an Executive Committee which shall have the power and authority to act on behalf of the board on emergency matters or other specific matters as designated by the board, all subject to board ratification, modification or rejection of any action taken, unless third party rights have already vested and would be impaired if modified or rejected.

Article VII – Contracts, Checks, and Deposits

- 7.1 Contracts.** Except as otherwise provided by law or these bylaws, the Board of Directors may authorize any Cooperative officer, agent, or employee 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.
- 7.2 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 or countersigned by such officer, agent or employee of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.
- 7.3 Deposits; Investments.** All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the Board may select.

Article VIII – Membership Certificates

- 8.1 Certificate of Membership.** Membership in the Cooperative may, if the Board so resolves be evidenced by a certificate of membership, which shall be in such form and shall contain such provision: and shall be determined by the Board not contrary to, or inconsistent with, the Cooperative's Articles of Incorporation or its bylaws. Such certificate, if authorized to be issued by the Board, shall be signed by the President and by the Secretary, and the seal shall be affixed thereto; PROVIDED, the seal and the signatures of the President and the Secretary may be imprinted thereon by facsimile.
- 8.2 Issue of Membership Certificates.** No membership certificate shall be issued for less than the membership fee fixed by the Board nor until such membership fee (related fees, deposits, and contributions) has been fully paid.
- 8.3 Lost Certificate.** In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefore upon such terms and such indemnity to the Cooperative as the Board may prescribe.

Article IX – Non-Profit Operation

9.1 Interest and Dividends in 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 furnished by its patrons.

9.2 Disposition of Revenues; Distribution of Excess. With respect to the Cooperative's furnishing of electric service, the revenues therefrom for any fiscal year, in excess of the amount thereof necessary,

- (1) to defray expenses of the Cooperative, including 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 to finance, the construction, or acquisition by the Cooperative of additional facilities to the extent determined by the Board;
- (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 one 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
- (6) to comply with any covenant or obligation of the Cooperative pursuant to any contract it has entered into; and
- (7) to provide a fund for education in cooperation and for the dissemination of information concerning the effective use and conservation of electric power and energy and concerning any other services made available by the Cooperative, including, if the Board so authorizes, publication of or subscription to a Cooperative newsletter and/or a statewide regional or national publication,

shall be distributed or credited by the Cooperative to patrons:

- A. as patronage refunds prorated in accordance with the patronage of the Cooperative by the respective patrons paid for during or with respect to such fiscal year; or
- B. by way of general reductions of rates or other charges; or
- C. by any combination of such methods.

9.3 Use of Contributed Capital. The primary purpose of the Cooperative is to furnish its patrons with electric service at the lowest rates and charges consistent with prudent management and sound economy. Therefore, all amounts received and receivable from the furnishing of electric energy to patrons members and non-members alike, in excess of

operating costs and expenses properly chargeable thereto are at the moment of receipt by the Cooperative received with the understanding that they are furnished by the patrons as capital. Capital contributed by the patrons shall be used only for capital purposes, including without limitation, new electric system construction, the retirement of electric system indebtedness at or prior to maturity, and working capital adequate for all purposes, and for facilitation of general rate reductions.

- 9.4 Ascertainment of Contributed Capital.** The Cooperative shall maintain such books and records as will enable it at any time, upon reasonable notice, to compute the amount of capital contributed during any given accounting period by each of its patrons.
- 9.5 Contract.** The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the provisions of this Article of the Bylaws shall constitute and be a contract between the Cooperative and non-member patrons, and both the Cooperative and such 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 such patrons by being posted in a conspicuous place in the cooperative's offices.
- 9.6 Patronage Refunds in Connection with Furnishing Other Services or Goods.** In the event that the Cooperative should engage in the business of furnishing services or goods other than electric power energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable thereto shall, insofar as permitted by law, be prorated annually on a patronage basis and, subject to their prior use for any proper purposes, be returned to those patrons from whom such amounts were obtained pursuant to such method, at such time, on such basis and in such order of priority as the Board shall determine.

Article X – Waiver of Notice

Any member or director may waive, in writing any notice of meetings required to be given by these bylaws or any notice that may otherwise be legally required, either before or after such notice is required to be given.

Article XI – Disposition of Pledging of Property; Distribution of Surplus Assets on Dissolution

- 11.1 Disposition and Pledging of Property.** The Cooperative may authorize the sale, lease, lease-sale, disposition, pledging, mortgaging or encumbering of all, a substantial portion or any part of its assets and properties as provided by law, including Sections B65-25-113 and 114 of the Tennessee Code Annotated, as the same may from time to time be amended.
- 11.2 Distribution of Surplus Assets on Voluntary Dissolution.** Upon the Cooperative's voluntary dissolution, any assets remaining after all liabilities or obligations of the Cooperative have been satisfied and discharged, or adequate provision therefore has been

made, shall be distributed as provided for in Section B65-25-120 (b) (2) of the Tennessee Code Annotated, as the same may from time to time be amended.

Article XII – Fiscal Year

The Cooperative's fiscal year shall begin on the first day of the month of July of each year and end on the last day of the month of June following.

Article XIII – Rules of Order

Parliamentary procedure at all meetings of the members, of the Board, of any committee provided for in these bylaws and of any other committee of the members or Board which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or bylaws. This Article shall be subordinate to any other provision of these bylaws pertaining to the votes required for action by members, directors, or committees.

Article XIV – 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 "Corporate Seal, Tennessee."

Article XV – Bylaw Amendments

15.1 Power to Amend. The Cooperative's bylaws may, subject to Section 15.2, be changed (adopted, amended or repealed) by the members or by the Board, except that the members may provide in the bylaws that specific provisions thereof may be changed only by the members, in which case such provisions shall contain a statement to that effect; **PROVIDED**, either the Board or the members may change any bylaws if, as established by law, such bylaw is illegal or has become a legal nullity.

15.2 Procedure for Amending. A bylaw may be changed only if: (1) a copy of an accurate summary explanation of the proposed change is contained in or with the Notice of Member Meeting or Board meeting at which it is to be acted upon; and (2) if to be acted upon by the members, it is sponsored by the Board, or it is sponsored by at least two percent (2%) of the total membership who over their signatures file with the Secretary of the Cooperative a petition proposing such change and setting forth with particularity the wording thereof and the time that the change(s) are to become effective, and such petition by the Members shall be filed with the Secretary of the Cooperative at least ninety (90) days prior to the date of the member meeting at which such change is proposed to be acted upon; **PROVIDED**, if a written request is presented by one or more but less than two percent (2%) of the total membership that a bylaw change to be noticed and acted upon by the members, and if the request sets forth with particularity the wording of the proposed change and the time that the change is to become effective, the Board may, but shall not be

obligated to, waive the foregoing petition requirement and cause such proposed change to be noticed and acted upon; **PROVIDED FURTHER**, the Board shall not cause any proposed bylaw change to be noticed or acted upon, or permit any amendment to a proposed bylaw change to be acted upon, if it determines that such, if adopted, would be illegal or a legal nullity. A change so noticed may be amended from the floor of a Board meeting at which it is being considered if the amendment is germane thereto but such amendment shall not be allowed at a member meeting.