

BY-LAWS
with
Amendments
8/1/05

Article I
Membership

Section 1.01. 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, Sequachee Valley Electric Cooperative (hereinafter called the "Cooperative").

Section 1.02. Application for Membership; Renewal of Prior Application. Application for membership shall be made in writing on such form as is 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 the Rural Electric and Community Services Cooperative Act, all 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 contract being hereinafter called "membership obligations"). With respect to any particular classification of service for which the Board of Directors (hereinafter called "Board") shall require, such application may be accompanied by a supplemental contract, executed by the applicant on such form as is provided by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.03 (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 membership fee (related fees, deposits and contributions if required) 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 fee, deposits or contributions if required, renew and reactivate any prior application for membership to the same effect as though the application had been made on the date of such payment.

Section 1.03. Membership Fee; Service Security and Facilities Extension Deposits; Contribution in Aid of Construction. The membership fee shall be as fixed from time to time by the Board. 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 and contributions if required), shall be paid by the member for each additional service connection requested by him.

Section 1.04. 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," "his" and "him" 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; and,

(e) either, but not both concurrently, shall be eligible to serve as a Director of the Cooperative, but only if both meet the eligibility requirements therefore.

Section 1.05. Acceptance into Membership. Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically become a member on the date of his connection for electric service: **PROVIDED**, the Board 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.

Section 1.06. 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 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 1.02. 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.

Section 1.07. 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 VIII of these Bylaws.

Section 1.08. 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 Electrical Code, any applicable local governmental 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 without charge 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 protective 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.

Section 1.09. Member to Grant Easements to Cooperative and to Participate In Required Cooperative Load Management Programs. Each member shall, upon

being requested so to do by the Cooperative, execute and deliver to the Cooperative, without charge, easements or rights-of-way over, on and under such lands owned or leased by the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require, for the furnishing of electric and other services to him or others, whether a member or non-member. Such grant of easements shall allow the Cooperative, and other entities for which the Cooperative grants a use of said easement, the right to construct, operate, maintain, replace or relocate electric and other facilities placed over, on or under such easements. Each member will insure that all persons who have an interest in any land in which the member has an interest will execute an easement under the same terms and conditions as that executed by the member. Each member shall participate in any required program and comply with related rates and service rules and regulations that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

Section 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.

Section 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

Section 2.01. 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 noncompliance 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 charge 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.

Section 2.02. 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 1.05; 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.

Section 2.03. Termination by Withdrawal or Resignation. A member may withdraw in good standing from membership upon such generally applicable conditions as the Board shall prescribe and upon either (a) ceasing to (or, with the approval of the Board 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 specifically waives such condition, abandoning totally and permanently the use of central station electric service on such premises.

Section 2.04. Termination by Death or Cessation of Existence; Continuation of Membership In Surviving Spouse, 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.

Section 2.05. 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 2.01 and 2.02, 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.

Section 2.06. 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.

Section 2.07. Membership List; Service to Non-Members. Upon termination of a member's membership for any reason, the member's name will be removed therefrom, effective as of the date on which the Cooperative ceased furnishing service to such person. Upon discovery that the Cooperative has been furnishing service to any person other than a member, it shall cease furnishing such service, except as provided in Section 2.04, unless such person applies for membership or the Board for valid reason waives such membership.

Article III Meeting of Members

Section 3.01. Annual Meeting. The annual meeting of the members shall be held each year on such date, at such time and at such place in a county in Tennessee within which the Cooperative serves, as the Board shall from year to year fix. 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.

Section 3.02. 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 percent (10%) of the members and filed with the Secretary, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.03. Such a meeting shall be held at such place in any county in Tennessee within which the Cooperative serves, on such date, but 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 the Board or those calling the meeting.

Section 3.03. Notice of Member Meeting. Written or printed notices 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 or his designee (or, 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 monthly newsletter or given in any other reasonable manner. No matter, the carrying of which, as provided by law, requires the affirmative votes of at least a majority of all the Cooperative's members shall be acted upon at any meeting of 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 at the Cooperative, with postage thereon prepaid and post-marked not later than the minimally required days prior to the meeting data 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 electric service is scheduled to be considered and acted upon; or

(2) except as otherwise provided in these Bylaws, not less than forty-five (45) 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 forty-five (45) days prior to the date of the meeting.

The incidental and non-intended failure of any member to receive such notices 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 objection shall notify the Secretary prior to or at the beginning of the meeting of his objection.

Section 3.04. Quorum. A quorum for the transaction of business at meetings of the members shall, except as provided in the next following sentence, and except at district meetings as provided in Article IV, Section 4.09, 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 to the notice of the meeting, 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 begin 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 members of the time, day and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03. 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.

Section 3.05. Voting. Each member who is not in a status of suspension, as provided for in Article II, Section 2.01, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members, regardless of the number of premises at which such member is served by the Cooperative. 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.

Where a membership is issued in the name of one spouse, the other unnamed but identified spouse shall have a right to cast the vote of the member in any meeting of members when the spouse named in the membership is not present at such meeting. The Board shall prescribe the method by which the unnamed spouse shall be identified.

Section 3.06. Voting by Mail. Any member may vote by mail upon official mail ballots which as to form and content have been described by the Board on any matter which may come before the members at any meeting and only by mail for the election of Directors. Such ballots shall clearly and fairly identify all matters being considered at the member meeting and the date of the member meeting. All ballots contain clear and accurate instructions as to how the ballots are to be validly voted. The member shall express a choice of each matter presented by a mark being made in the appropriate space upon the ballot.

Except as required by the provisions of T.C.A 65-25-213(a)(3) for the sale or lease -sale of assets and property, ballots shall be mailed to all eligible members in the United States mail, addressed to the member at the address as it appears on the records of the Cooperative with postage thereon prepaid and post marked no less than twenty-five (25) days prior to the meeting of the members.

All ballots for the sale or lease-sale of assets and property pursuant to the provisions of T.C.A. 65-25-213(a)(3) shall be mailed no sooner than twenty (20) days prior to the member meeting.

The member shall mail or deliver the ballot to an independent auditor as designated on the ballot in a sealed pre-addressed envelope to the independent auditor inside another envelope bearing the member's name, signature and account number.

All ballots must be received by the independent auditor no later than ten (10) days prior to the date of the member meeting. Any ballot received after said time shall not be accepted and counted as a ballot of the absent member.

The independent auditor shall tabulate the votes and shall deliver the tabulated votes along with all ballots to the Chairman of the Credentials Committee at least five (5) days prior to the member meeting.

A failure to receive a ballot will not affect or invalidate any action taken at the member meeting and any member voting by mail may not revoke same.

Section 3.07. Credentials Committee. The Chairman shall, at least ten (10) business days before any meeting of members, except for directorate district meetings, 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 registration 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 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 protester(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.

Section 3.08. Record Date. The Board shall fix a date for determining the total membership and members eligible to receive notice of a member's meeting and mailed ballot. This record date shall be at least sixty (60) days prior to the date of the member meeting or district election.

Section 3.09. Order of Business. The Board shall determine the agenda and order of business for Member Meetings.

Article IV Directors.

Section 4.01. Number and General Powers. The business and affairs of the Cooperative shall be managed under the direction of a board of eleven (11) 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.

Section 4.02. Qualifications. No person shall be eligible to become or remain a director of the Cooperative who is not a member of the Cooperative and receiving service at his primary residential abode, which abode shall be in the directorate district for which the director is seeking to represent or represents

No person shall be eligible to become or remain a director of or to hold any other position of trust in the Cooperative who:

- (a) Does not have the capacity to enter legally binding contracts;
- (b) Has not been, for at least one (1) year prior to his nomination, or ceases after his election to be, a member in good standing of the Cooperative, receiving service therefrom at his primary residential abode, in the District from which he is elected;
- (c) For all Directors starting service in 2001 or beyond, has not, within four (4) years of becoming a Director, received a Credentialed Cooperative designation, Director's Certificate, or similar certification from the National Rural Electric Cooperative Association;
- (d) While a Director, and during the twenty (20) years immediately prior to becoming a Director,
 - (1) Is, or has been, convicted of a felony; or
 - (2) Pleads, or has pled, guilty to a felony;

- (e) Is engaged in any business, or in any way employed by, affiliated with, or having a material financial interest in any individual or entity, other than an Entity in which the Cooperative owns an interest, that:
 - (1) Regularly, directly and substantially competes with the Cooperative or any Entity that the Cooperative controls or in which the Cooperative owns a majority interest (“Cooperative Subsidiary”); or
 - (2) Regularly sells goods and services to the Cooperative or a Cooperative Subsidiary; or
 - (3) Has an economic interest adverse to or which may adversely affect the operation of the Cooperative or which may create a conflict of interest with the Cooperative; or
 - (4) Possesses any conflict of interest with the Cooperative or a Cooperative Subsidiary;
- (f) Is in a business selling electric energy or any other substantial amount of supplies, products or services to the Cooperative or its subsidiaries;
- (g) Is in a business engaged in the construction and maintenance - including right of way maintenance - of distribution lines of the Cooperative;
- (h) Is serving in any elective local, municipal or county public office in connection with which any compensation of any kind is received, except for reimbursement of out-of-pocket expenses;
- (i) Is or has been an employee of the Cooperative or its subsidiaries within ten (10) years of date of the annual meeting at which the director takes office;
- (j) Is a close relative of an employee or incumbent director of the Cooperative as defined in Section 4.17;
- (k) Is receiving any salary, wages or remuneration of any type from the Cooperative, whether directly or indirectly, including any pension or retirement plan benefits, whether paid directly by the Cooperative or by a third party under contract with the Cooperative;
- (l) Has been, or begins to be, employed by, affiliated with, or sharing a material financial interest with any other Director;
- (m) Is a member, officer, director or employee of any union local currently acting as a bargaining agent for any group of Cooperative employees
- (n) Does not comply with any other reasonable qualifications and policies determined by the Board; or
- (o) Lives in the same household with or is financially interdependent with any person who would answer “yes” to Section 4.02 (e) through (n).

Notwithstanding any other foregoing provision 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 because of such relationship.

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 the 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.

Section 4.03. Tenure. Directors shall be elected for a term of four (4) years, taking office at the first annual meeting of members held after the district elections hereinafter provided.

Upon election, a director shall, subject to the provisions of these Bylaws with respect to removal, serve throughout said term of four (4) years, or until a successor is elected and qualified.

Section 4.04. Directorate Districts. For the purpose of election of directors, the area served by the Cooperative is hereby divided into eleven (11) voting directorate districts as follows:

- District No. One:** Southern parts of Marion County including South Pittsburg, New Hope, Richard City and Orme.
- District No. Two:** Middle parts of Marion County including Kimball, Sequatchie, Battle Creek Valley and Gizzard, Cave, Sweden and Hargis Coves, but excluding Jasper, Mullins Cove and the Monteagle and Tracy City areas.
- District No. Three:** Parts of Marion County that includes Jasper, Mullins Cove and the communities of Nickletown, Cedar Grove, Ebenezer and Rankin Cove.
- District No. Four:** Northern Marion County including Whitwell, Powells Crossroads, and the communities of Griffith Creek, Mount Olive, Hicks Chapel and Suck Creek Mountain.
- District No. Five:** Southeast Grundy County including Tracy City, Coalmont and White City area of Marion County
- District No. Six:** Northern part of Grundy County including Altamont, Beersheba Springs, Gruetli-Laager and Palmer.
- District No. Seven:** Western Grundy County including Monteagle, Pelham, parts of Marion County adjacent to Monteagle and parts of Coffee and Franklin Counties served by the Cooperative.
- District No. Eight:** South central and western parts of Sequatchie County.
- District No. Nine:** Northern and northeastern parts of Sequatchie County, and part of Hamilton County served by the Cooperative
- District No. Ten:** Southern and southeastern parts of Bledsoe County.
- District No. Eleven:** Northern and western parts of Bledsoe County and parts of Van Buren, Rhea and Cumberland Counties served by the Cooperative.

The Board shall determine the exact dividing lines of the districts. Each voting district shall be entitled to one representative on the Board

Directors shall be divided into four (4) groups for the purpose of creating staggered terms of office, and directors of each group shall be selected first in the years hereinafter provided for and at each interval of four (4) years thereafter, as follows:

Group One: Beginning in 2003, the director from District Two; the director from District Four; and the director from District Eleven.

Group Two: Beginning in 2004, the director from District Three; the director from District Seven; and the director from District Nine

Group Three: Beginning in 2005, the director from District One and the director from District Ten

Group Four: Beginning in 2006, the director from District Five; the director from District Six; and the director from District Eight

At least every ten (10) years the Board, not less than six (6) months prior to the date on which the annual member meeting is scheduled to be held, shall review the Districts and Directorships. 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 four (4) years. The Board 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 thirty (30) days prior to the last date by which qualifying petitions, if any, must be filed.

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 district meeting of the members first held in accordance with such changes; **PROVIDED**, no such change shall be so effectuated as to expand the existing term 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.

Section 4.05 Notice of Directors To Be Elected. The Secretary of the Cooperative or his designee, not less than ninety days (90) days prior to the Annual Meeting of members, shall give written notice of the directors whose terms shall expire and which group of directors as set forth in Section 4.04 shall be elected by eligible members at district elections. Such notice shall be by mail with postage thereon prepaid to all members at the billing address reflected on the Cooperative's records. Such notice shall include information as determined by the Board that may be obtained for the purpose of qualifying as a candidate for director.

Section 4.06. Nominations. At least ninety (90) days prior to the Annual Meeting, the Board shall appoint a Member Committee consisting of three (3) members from directorate districts in which an election is to take place (Nominating Committee). Nominating Committee members may not be an existing, or close relative of an existing, Cooperative Director, Officer, employee, agent, representative, or known Director candidate. The Nominating Committee may interview potential candidates and insure that all nominees meet the minimum qualifications as outlined in Section 4.02. Any and all candidate(s) interested in the director position must contact the Nominating Committee and indicate his/her interest in the position within the time periods as set forth

in the information provided under Section 4.05. Within forty five (45) days after being appointed, the Nominating Committee shall:

1. Nominate at least one (1) individual to run for election for each district Director position up for election for that year; and
2. Post the nominations at the Cooperative's appropriate district office.

If the Nominating Committee does not nominate the interested member as outlined above, then the member may qualify by filing a petition. In order for a member, who has contacted the Nominating Committee as required above and was not nominated by the Nominating Committee, to become a qualified candidate for **election as director**, he shall file with the Secretary of the Cooperative or with his duly appointed representative a written petition nominating such person as a candidate and signed by him and by not less than fifty (50) other members in good standing whose premises served by the Cooperative are located in the directorate district of the candidate. If an interested member did not contact the Nominating Committee in the manner and time periods as outlined in the notice given under Section 4.05 above, the interested member shall not be eligible to become a candidate for election as director through the petition or any other process. Such other information as the Board, by policy of general application, deems necessary or appropriate to determine the eligibility of the candidate shall be filed with the petition. The petition and other information shall be made available at each office of the Cooperative, must be picked up within five (5) days after the posting of those candidates nominated by the Nominating Committee and shall be filed with the Secretary or his designee within fifteen (15) days after the posting of the nominee(s) by the Nominating Committee.

Section 4.07. Credentials Committee. The Chairman of the Board shall appoint three (3) Directors, one of them shall be appointed as Chairman, who is not representing the districts scheduled for election to serve as a Credentials Committee to pass upon the eligibility of a member to become a candidate. This Committee shall be appointed not less than ninety (90) days prior to the annual meeting of members. If a member files a petition, the Credentials Committee shall meet within five (5) days after the deadline for filing qualifying petitions to review the petitions and accompanying documents to determine if a member is a qualified candidate for a director. The Committee shall immediately thereafter notify in writing each and every member who filed a petition of its findings and shall certify to the Secretary of the Cooperative those members who qualify as candidates for director. 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 not being qualified shall be filed with the Committee in writing within two (2) business day's following delivery of the notification of non-eligibility. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than five (5) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protester(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the Committee, by a vote of a majority of these present and voting, shall immediately 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 facia evidence of the facts stated therein.

Section 4.08. Notice of District Election. The Secretary or his designee shall give written notice of the district election and of the name(s) of the qualified candidate(s) to be voted upon for directors thereat. Such notice shall be by mail with postage thereon prepaid, to the members eligible to vote. Such notice shall be mailed to the member at his billing address if he is served by the Cooperative at only one premise. If he is served at two (2) or more premises and one (1) is his residential abode, notice shall be mailed to him at such residential abode unless the member shall have requested, in writing, that the notice be mailed to another address; which request shall be honored. If a member is served by the Cooperative at two (2) or more premises located in two (2) or more directorate districts, he shall be entitled to vote for a director from each.

Section 4.09. Election by Directorate District. Directors shall be elected from their respective directorate districts by eligible members whose premises are served with electricity therein. Voting shall only be by mail ballots which shall be mailed and voted by eligible members in accordance with the applicable provisions of Article III, Section 3.06. The eligibility of members to vote and voting shall be in accordance with the provision of Article III, Section 3.05 and 3.06 and Article IV, Sections 4.08 and 4.09 of these Bylaws.

The candidate who receives the greater plurality of the votes cast shall be declared elected. Drawing by lot, when necessary, shall resolve tie votes.

Section 4.10. Uncontested Election. In a voting district where only one candidate has been qualified, there being no necessity to mail ballots, the nomination by the Nominating Committee or a nominating petition shall constitute a written ballot and waiver of the necessity of holding a district election. No further action shall be necessary for the election of the qualified candidate, who shall thereby be elected a director.

Section 4.11. Announcement of Results. At the following annual meeting of members, the Secretary shall announce to the members the names of the persons elected as directors and the district which each director represents, and, likewise, shall announce the names of the incumbent directors and the districts which they serve.

Section 4.12. 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 ten percent (10%) of the members of the Cooperative eligible to vote for director within the district of the director(s) sought to be removed, 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. 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) of the director(s) against whom the charge(s) have been made and of the member(s) filing the charge(s), shall be

contained verbatim in the notice of the meeting or separately noticed to the members within the affected district(s) not less than five (5) days prior to the district meeting(s) at which the charge(s) 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 charge(s) after they have been validly filed at least twenty-five (25) days prior to the district meeting of the members at which the charge(s) are to be considered. Such director(s) 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, and any vacancy created by such removal shall be filled by vote of the members at such district meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor; **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 district meeting through oral statements, documents, or otherwise; **AND PROVIDED FURTHER**, no director shall be so removable 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 and act upon a proposal for such a sale, lease-sale or dissolution. A newly elected director shall be eligible as such and shall be from or with respect to the same Directorate District as was the director whose office he succeeds, and shall serve out the unexpired portion of the removed director's term.

Section 4.13. Vacancies. Subject to the provisions of these Bylaws with respect to the removal of directors by members as set forth in Section 4.12, vacancies occurring on the Board shall be filled by the affirmative vote of a majority of the remaining directors, and the directors thus elected shall serve until the next district election to be called and held in the district wherein said vacancy occurs and until their successors shall have been qualified and elected.

Section 4.14. Compensation; Expenses; Temporary Services. Directors shall, as determined by resolution of the Board, receive on a *per diem* basis a fixed fee for attending meetings of the Board and, when approved by the Board, 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. Directors may also receive business travel insurance and advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred in performing their duties. Directors also may participate in the NRECA Deferred Compensation Program, totally at their expense and at no cost to the Cooperative.

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 or the members upon a determination that such is or was an emergency measure; **PROVIDED**, 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 or adoption to which he was not a party nor in any event lose eligibility for the reason that he was a close relative of an incumbent director and already employed by the Cooperative at the time of adoption of this Bylaw provision.

Section 4.15. Rules, Regulations, Rate Schedules and Contracts. The Board 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.

Section 4.16. Accounting System and Reports. The Board 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 condition as of the end of, such year. A summary, either written or oral, 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.

Section 4.17. "Close Relative" Defined. As used in these Bylaws, "close relative" means a person who, by blood or at law, including step, half, and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, niece or first cousin of the principal or the spouse of any of these listed.

Article V Meetings of Directors

Section 5.01. Regular Meetings. A regular meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place in the service area of the Cooperative as the Board of Directors may provide by resolution. Notice of all regular meetings of the Board of Directors shall be published at least five (5) days previous thereto in a newspaper of general circulation in each county in the service area of the Cooperative. The notice shall include, but not be limited to, the hour and date, the place and a list of all major items of business for consideration. All regular meetings of the Board of Directors shall be open to members of the Cooperative. This action may not be amended except by action of the members.

Section 5.02. Special Meetings. Special meetings of the Board may be called by

board resolution, by the Chairman, or by any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place (which shall be in the service area of the Cooperative), for the holding of any special meeting of the Board of Directors called by them. Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least three (3) days previous thereto by written notice, delivered personally or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except in case a Director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened; also, written notice of all special meetings of the Board of Directors shall be posted in the Cooperative office in each county in the service area of the Cooperative at least three (3) days previous thereto. The notice shall include, but not be limited to, the hour and date, the place and a list of all major items of business for consideration. All special meetings of the Board of Directors shall be open to members of the Cooperative. This section may not be amended except by action of the members.

Section 5.03. Removal of Directors by Board. Any Director, who misses three (3) consecutive meetings or a total of five (5) meetings within a twelve (12) month period or fails to meet the Director Qualifications as outlined in Article IV, Section 4.02, shall be subject to removal as a Director by the Board. The affected Director shall be given a written charge, setting forth the reason for his removal, and shall be afforded a hearing and the same rights afforded to him under Article IV, Section 4.12 regarding Removal of Directors by Members.

In addition to the above, the Board may remove any Director who is selected by them to serve the remaining term of a vacancy, as outlined in Article IV, Section 4.13, up until the Director is elected by the members at a district election.

Section 5.04 Quorum. The presence in person of a majority of the directors in office shall be required for the transaction of business; **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 all directors to be duly and timely notified in accordance with Section 5.01 of the day, time and place of such adjourned meeting.

Section 5.05. Manner of Acting. The affirmative votes of a majority of the directors in office shall be required to constitute valid action by the Board at any meeting at which a quorum is present.

Article VI

Officers-Miscellaneous

Section 6.01. Number and Title. The officers of the Cooperative shall be a Chairman, Vice Chairman, Secretary and Treasurer, and such other officers as may from

time to time be determined by the Board. The offices of Secretary and Treasurer may be held by the same person.

Section 6.02. Election and Term of Office. The four officers names in Section 6.01 shall be elected by secret written ballot annually and without prior nomination, by and from the Board 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. The Board may designate and elect any other officers with such title, tenure, responsibilities and authorities, as the Board may from time to time deem advisable.

Section 6.03. Removal. Any officer, agent, or employee elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served.

Section 6.04. Vacancies. A vacancy in any office elected or appointed by the Board shall be filled by the Board for the unexpired portion of the term.

Section 6.05. Chairman. The Chairman shall:

- (a) be the principal executive officer of the Board and shall preside at all meetings of the Board, and, unless determined otherwise by him, at all meetings of the members;
- (b) sign, with the Secretary, 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 other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general, perform all duties incident to the office of Chairman and such other duties as may be prescribed by the Board from time to time.

Section 6.06. Vice Chairman. In the absence of the Chairman, or in the event of his inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman, and shall perform such other duties as from time to time may be assigned to him by the Board.

Section 6.07. 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 see that the seal of the Cooperative is affixed 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 as 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) have general charge of the books of the Cooperative in which a record of the members is kept;
- (f) keep or cause to be kept, on file 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 reasonable times, and, at the expense of the Cooperative, furnish a copy of such Documents set forth in this paragraph (g) and of all amendments thereto upon request to any member: and
- (g) 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.

Section 6.08. 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 to him by the Board.

Section 6.09. 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 6.07 and 6.08, 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.

Section 6.10. General Manager; President/CEO. The Board 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 President/CEO or other such officer by the Board. As such officer(s) he 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.

Section 6.11. Bonds. The Board 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.

Section 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 4.17 of these Bylaws, and the powers,

duties and compensation of any other officers, agents and employees shall be fixed or a plan therefore approved by the Board.

The Cooperative shall indemnify present and former Cooperative directors, officers (including the General Manager and other named officer(s)), 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

Section 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.

Section 6.14. Committees. The Chairman, 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

Section 7.01. Contracts. Except as otherwise provided by law or these Bylaws, the Board 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.

Section 7.02. 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.

Section 7.03. 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 Non-Profit Operation

Section 8.01. Operation; Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its Patrons. No interest or dividends shall be paid or payable by the

Cooperative on any capital furnished by its Patrons.

Section 8.02. Disposition of Revenues; Distribution of Excess. Patrons shall furnish and contribute to the Cooperative, and the Cooperative shall receive from the Patrons, as capital ("Capital") the amount ("Operating Margins") by which the funds and amounts received by the Cooperative from Patrons for providing a Cooperative service exceed the Cooperative's costs and expenses of providing the Cooperative service. Such costs and expenses are those used for, but are not limited to, the following:

- (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.

For each Cooperative service, the Cooperative shall annually allocate each Patron Operating Margins from the Cooperative service in proportion to the value or quantity of the Cooperative service used by each Patron during the applicable fiscal year ("Capital Credits").

Any Capital Credits that is received by the Cooperative and Non-Operating Margins, minus any costs associated with such, shall be allocated as in the same manner as Operating Income and shall be considered as Capital Credits. Any and all Capital Credits allocated are not required to be funded until the Board decides to retire and refund Capital Credits as outlined in Section 8.04.

All capital contributed by patrons prior to January 1, 1983, shall become permanent non-refundable capital of the Cooperative.

Section 8.03. Assignment and Notification. Unless otherwise determined by the Board or provided in these Bylaws, Capital Credits may be assigned or transferred only upon:

1. A Patron delivering a written assignment or transfer to the Cooperative;
2. The Patron complying with any other reasonable requirement determined by the Board; and
3. the Board approving the assignment or transfer.

The Cooperative may notify each Patron in writing of the dollar amount of Capital Credits allocated or credited to the Patron.

Section 8.04. Retiring and Refunding Capital Credits. At any time prior to

the Cooperative's dissolution or liquidation, and if the Board determines that the Cooperative's financial condition will not be adversely impacted and it has authority to do so, the Board may authorize the Cooperative to, and the Cooperative shall, wholly or partially retire and refund Capital Credits to Patrons and/or former Patrons.

The Board shall determine the manner, method, and timing of retiring and refunding Capital Credits.

To secure payment of any amounts owed by a Patron or former Patron to the Cooperative, including any reasonable compounded interest and late payment fees determined by the Board, the Cooperative has a security interest in the Capital Credits of every Patron and former Patron. Before retiring and refunding any Capital Credits, the Cooperative may deduct from the Capital Credits any amounts owed to the Cooperative by the Patron or former Patron, including any reasonable compounded interest and late fee determined by the Board.

If the Cooperative takes reasonable measures to notify any Patron or former Patron of retired or refunded Capital Credits, and if the Patron or former Patron fails to claim the retired or refunded Capital Credits within two (2) years, then the Patron or former Patron contributes the unclaimed amounts to the Cooperative, and the Cooperative accepts the unclaimed amounts from the Patron or former Patron, as permanent, non-allocated capital.

A Patron's right to receive Capital Credits vests, accrues and becomes payable only upon the Cooperative retiring or refunding the Capital Credits as provided in these Bylaws, and not upon the Cooperative allocating or crediting the Capital Credits.

Section 8.05. Contracts. 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 all the Cooperative's offices.

Article IX 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 X Disposition and Pledging of Property; Distribution of Surplus Assets on Distribution

Section 10.01. 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 65-25-213 and 214 of the Tennessee Code Annotated, as the same may from time to time be amended.

Section 10.02. 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 65-25-220 (b) (2) of the Tennessee Code Annotated, as the same may from time to time by amended.

Article XI 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 XII 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 XIII Seal

The Corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Tennessee."

Article XIV Bylaw Amendments

Section 14.01. Power to Amend. The Cooperative's Bylaws may, subject to Section 14.02, 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 Bylaw if, as established by law, such Bylaw is illegal or has become a legal

nullity.

Section 14.02. Procedure for Amending. A Bylaw may be changed only if (1) a copy or an accurate summary explanation of the proposed change is contained in or with the notice of the member 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 at least fifty (50) members 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 is to become effective, at least forty-five (45) 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 fifty (50) members that a Bylaw change be noticed to 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.