

CULLMAN ELECTRIC COOPERATIVE BYLAWS

ARTICLE I MEMBERSHIP

SECTION 1.01. Eligibility. Any natural person, firm, association, corporation, business trust, partnership, federal agency, state, or political subdivision thereof, or body politic (each hereinafter referred to as "person," "applicant," "he/she" or "his/her") shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by him/her, to receive electric service from Cullman Electric Cooperative ("Cooperative"). No person shall hold more than one membership in the Cooperative.

SECTION 1.02. Application for Membership; Renewal of Prior Application. Application for membership whereby the applicant agrees to purchase electric power and energy from the Cooperative and to be bound by and to comply with 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and rate schedules established pursuant thereto, as all the same then exist or may thereafter be adopted, repealed, or amended (the obligations embraced by such agreement being hereinafter called "membership obligations") shall be made in writing on such form as is provided therefore by the Cooperative. With respect to any particular classification of service for which the Board shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefore 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, collection fees or contribution in aid of construction that may be required by the Cooperative (hereinafter "additional payments"), which fee and such additional payments, if any, shall be refunded in the event the application is denied. Any former member of the Cooperative, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at the Alabama legal rate on judgments in effect when such account first became overdue, compounded annually, together with additional payments, if any, may 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(s).

SECTION 1.03. Membership Fee; Service Connection, Security and Facilities Extension Deposits or Fees; Contributions in Aid of Construction. The membership fee shall be as fixed from time to time by the Board. The membership fee, together with additional payments, if any, shall entitle the member to one service connection. A separate service connection fee or deposit, in such amount as shall be prescribed by the Cooperative, together with additional payments, if any, shall be paid by the member for each additional service connection requested by him/her.

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 automatically convert such membership to a joint membership by jointly executing another membership application. The terms "member," "applicant," "person," "his/her" and "him/her," 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;
- (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 Trustee on the Board, but only if the qualifications for such office are met; and
- (f) neither will be permitted to have any additional service connections except through their one joint membership unless such already existed as an individual membership prior to creation of the joint membership.

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/her or their application

therefore; PROVIDED, the Cooperative may reject or deny an application and refuse to furnish service upon its determination that the applicant is not willing or is not able to satisfy and abide by the membership obligations 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. The Cooperative shall not be liable to the member for any outage of service or voltage fluctuation or other service difficulty resulting from acts of God, such as lightning or wind storm, or from an occurrence that may reasonably be expected to happen in the normal course of utility business, such as equipment failures and the Cooperative's liability to the members shall be strictly limited as provided in the Act under which the Cooperative is organized.

Each member, for so long as such premises are owned, leased as lessor or lessee, or directly occupied or used by him/her, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service is furnished by the Cooperative pursuant to his/her membership, unless and except to the extent the Cooperative may, in writing, waive such requirement; and shall pay therefore 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/her 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 for service by him/her to the Cooperative shall be deemed to be allocated and credited on a pro rata basis to his/her 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. Non-Liability for Debts of the Cooperative. The private property of the members 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 1.08. 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/her membership to become and to remain wired in accordance with the specifications of the National Electric Code, of any applicable state code or local government ordinance, and of the Cooperative. If the foregoing specifications are variant, the more exacting standards shall prevail. Each member shall be responsible for--and shall indemnify and hold harmless the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage and costs, including reasonable attorney's fees, resulting from any defect in or improper use or maintenance of such premises and all wiring and apparatuses connected thereto or used thereon. 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 free and 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/her best efforts to prevent others from so doing. Each member shall also provide such protective devices to his/her 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. 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 and hold harmless the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage and costs, including reasonable attorney's fees, 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, for a period not to exceed one year, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunction 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. Each member shall, upon being requested to do so by the Cooperative, execute and deliver to the Cooperative, for itself, its successors and assigns, grants of easement or right-of-way over, on or under such lands (or in, under or upon all streets, roads or highways abutting such lands) owned or leased by or mortgaged to the member, such easement or right-of-way to be utilized for the construction, operation, repair and maintenance of electric distribution and service lines and appurtenances, whether owned by the Cooperative or otherwise, and for any other purposes, such as for communications or other services which may be made available by the Cooperative, whether such facilities are used to serve the member or others. Such easement or right-of-way shall include the right to cut or trim trees on the right-of-way or threatening facilities located on the easement or right-of-way. The Cooperative shall take into consideration any suggestions of the landowner and/or consider all possible routes for construction which may be economically feasible to the Cooperative while minimizing any real or perceived inconveniences to the landowner in the construction, operations, maintenance or relocation of Cooperative electric facilities. However, the Cooperative reserves the right to locate said facilities on said premises where it deems them necessary and in the best interest of the Cooperative and for the good of the individual consumer and the public in general under such terms and conditions as the Cooperative may require.

ARTICLE II MEMBERSHIP SUSPENSION AND TERMINATION

SECTION 2.01. Suspension; Reinstatement. Upon his/her failure, after the expiration of the initial time limit prescribed either in a specific notice to him/her 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/her membership obligations, a person's membership shall automatically be suspended; and he/she 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/her membership obligations within the final time limit provided in such notice of 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/she may, without further notice, but only after due hearing if such is requested by him/her, be expelled by resolution of the Board. After expulsion of a member, he/she may not again become a member except upon new application therefore as provided in Sections 1.02 and 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/her membership obligations.

SECTION 2.03. Termination by Withdrawal or Resignation. A member may in good standing withdraw or resign 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/her membership in favor of a new applicant who also shall own, lease as lessor or lessee, or directly occupy or use all premises being furnished electric service pursuant to his/her 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 Remaining or New Partners. The death of a natural person member shall automatically terminate his/her membership. 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, lease as lessor or lessee, 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/her estate shall be released from any debts then due the Cooperative by the partnership.

SECTION 2.05. Effect of Termination. Upon the termination in any manner of a person's membership, his/her estate, as the case may be, shall be entitled to a refund of his/her membership fee and his/her service security deposit, if any, theretofore paid to the Cooperative, less any amounts due the Cooperative; but neither he/she nor his/her 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/her membership obligations as to entitle him/her 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 of the spouses of a joint membership or their legal separation or divorce, such membership shall continue to be held solely by the survivor or by the one who continues directly to occupy or use the premises covered by such membership, whichever is the case, in the same manner and to the same effect as though such membership had never been joint; PROVIDED, the estate of the deceased spouse or of the other separated or divorced spouse shall not be released from any debts due the Cooperative.

SECTION 2.07. Board Acknowledgment of Membership Termination; Acceptance of Members Retroactively. Upon the termination of a membership for any reason, the Board, so soon as practicable after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination, effective as of the date on which the Cooperative ceased furnishing electric service to such entity. Upon discovery that the Cooperative has been furnishing electric service to any entity other than a member, it shall cease furnishing such service unless such entity applies to and does become a member retroactively to the date on which such entity first began receiving such service, in which event the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly.

ARTICLE III MEETINGS OF MEMBERS

SECTION 3.01. Annual Meetings. For the purposes of electing Trustees, presenting and passing upon reports covering the previous year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held in September of each year, at any place within one of the counties served by the Cooperative as designated by the Board. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting including preparation of the agenda. To further ensure that a quorum is reached at any annual meeting, the Board shall require that reasonable necessary incentives be provided to the membership which shall be consistent with, or may exceed, the incentives traditionally provided to reach a quorum at annual meetings. The Board Chairperson shall preside at this meeting or the Vice-Chairperson in the Chairperson's absence or the Board's designee. 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 Meetings. A special meeting of the members may be called by resolution of the Board, or upon a written request signed by the Chairperson of the Board or by any five (5) Trustees or by petition signed by not less than ten percent (10%) of the members of the Cooperative, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as provided in Section 3.03. Special meetings of the members may be held on any date and place within one of the counties served by the Cooperative as designated by the Board and shall be specified in the notice of the special meeting on such date, not sooner than fifty-five (55) days nor more than seventy-five (75) days after the call for such meeting if the call is made by a member petition, and beginning at such hour as shall be designated by the Board. The notice of such special meeting shall state that mail-in voting and absentee voting is not permitted at a special meeting of the members and a required quorum of three percent (3%) be registered and present at the time of voting. The Board Chairperson shall preside at this meeting or the Vice-Chairperson in the Chairperson's absence or the Board's designee.

SECTION 3.03. Notice of Member Meetings. Written or printed notice showing the place, date, and hour of the meeting shall be delivered to each member not less than fifteen (15) days nor more than forty (40) days before the date of the meeting. The Secretary shall direct that the notice be delivered by mail for all meetings at the direction of the Board. The notice of the annual meeting shall also include the agenda and mail-in ballot for the election of Trustees, presenting and passing upon reports covering the previous year and the transaction of such other business as may be set forth on the ballot. Notice of a special meeting shall state the purpose of the meeting and include an agenda provided by the board. No new business shall be voted on at an Annual meeting unless such business is included in the notice of the member meeting as set forth in 3.05 (g). Any such notice delivered by mail may be included with member service billings, a direct mail out, as a part of the "Alabama Living" magazine or any successor thereof. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his/her address as it appears on the records of the Cooperative, at least fifteen (15) days prior to the meeting date. In making such computation, the date of the meeting shall not be

counted. Provided, any notice to the membership in which a mail-in ballot is provided shall also include a specific explanation of the Member's right to register and attend the member meeting in person therefore reserving his/her vote until such time. Said notice shall further contain specific instructions that in order to be counted, the mail ballot must be received by the auditor no later than the close of the second business day (specifying the actual day and date) next preceding the member meeting date. The incidental and non-intended failure of any member to receive a notice deposited in the mail addressed to the member at his/her address as shown on the Cooperative's books 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 express purpose of objecting to the transaction of any business, or one or more items of business, on the grounds that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall so notify the Secretary in writing a minimum of two (2) days prior to the meeting. No less than one hundred and eighty days before the date of the Annual Meeting, at least three percent (3%) of the membership may petition, in accordance with Section 6.14, to have an item added to the Annual Meeting agenda.

SECTION 3.04. Quorum.

- (a) Except as provided in subsection (b) and section 3.05 (g) hereof, business may not be transacted or voted on at any meeting of the members unless there are registered at the meeting at least three percent (3%) of the persons who are then members of the Cooperative or, if mail-in voting is being utilized three percent (3%) of all members either registering and voting in person or casting a vote by mail or hand delivering a mail-in or absentee ballot to the auditor constituting a quorum for the transaction of business at all meetings of the members.
- (b) If less than the required quorum is attained at any meeting, a majority of those present in person may adjourn the meeting to another time and date not sooner than fifty-five (55) days nor more than seventy-five (75) days later and to a place and time as designated by the Board within one of the counties served by the Cooperative; PROVIDED, the Secretary shall notify all members of the time, date, and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03.
- (c) 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 or who voted by mail or hand delivered their ballot to the auditor.

SECTION 3.05. Voting

- (a) Each member who is not in a status of suspension, as provided for in Section 2.01, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members. Voting by persons 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, and in the case of mail-in balloting, it will be conclusively presumed that the ballot was cast pursuant to due authorization thereof by such member. At all meetings of the members, all questions shall be decided by a vote of a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation by these Bylaws. Members may not vote by proxy.
- (b) Members shall be permitted and provided the opportunity to vote by mail ballots in the election, on any proposed changes in, or additions to, the bylaws and on any business detailed in the agenda for the Annual Meeting; PROVIDED, if a member is present at a meeting in person, he/she may vote on such matters only if he/she has not already voted thereon by mail-in ballot.
- (c) The Board shall cause to be printed and mailed to all members, not less than fifteen (15) days nor more than forty (40) days prior to the meeting at which such ballots to be cast, return-mail written ballots for voting in the election, or on any proposed changes in, or additions to, the bylaws and on any business detailed in the agenda for the Annual Meeting. Instructions as to how the ballot(s) may be voted shall be included and an explanation as to how the ballot may be returned shall be enclosed therewith. Mail-return and absentee ballots each shall be printed on a different color of paper than the ballots used by members present in person at the site of the member meeting; such ballots shall otherwise be identical. Also included shall be a return addressed envelope for members to return ballots by mail.
- (d) The deadline for the receipt by the auditor of mail ballots shall be the close of the Cooperative's normal business hours on the second business day preceding the date of the Annual Meeting. Absentee ballots may be hand delivered to the auditor until the close of normal business the day prior to the Annual Meeting.
- (e) The independent auditor shall count and retain all mail and absentee ballots, and shall not reveal the results thereof to anyone until, at such Annual meeting, the votes cast there in person shall have been counted. After all votes have been counted, the auditor shall duly report at the meeting the results of the mail-in balloting, of the balloting by persons registered and voting in person and the absentee ballots, and of the final results of all votes counted.
- (f) The independent auditor provided for in these Bylaws shall be selected by the Board.

- (g) No matter may be voted on in person by the members at an Annual meeting unless;
 - 1) the matter is included in the meeting notice detailing the business to be transacted or voted on as provided in 3.03 or;
 - 2) the voting is to poll the members on including a matter on the agenda of the next Annual meeting in which event three percent (3%) of the members must register and vote in person at the current Annual meeting or;
 - 3) the voting is on the removal of a Trustee as provided in Section 4.07 or;
 - 4) the voting is on a proposal to sell or otherwise dispose of a substantial portion of the Cooperative's properties and assets as provided in Section 10.01.
- (h) Voting at special meetings shall be only by those members registered and voting in person.
- (i) If a membership is held by either a husband or wife in the husband's or wife's sole name as a single membership, and the spouse in whose name the membership is not registered attends a meeting of the members and registers to vote such membership, such spouse shall be deemed to have the right to vote for the spouse in whose name the membership is registered, solely for the purpose of voting the membership at a member meeting and thereafter the spouse in whose name the membership is registered can not register attendance and vote at that meeting.

SECTION 3.06. Credentials and Election Committee. The Board shall, at least fifteen (15) days before any meeting of the members, appoint a Credentials and Election Committee. The Committee shall consist of an uneven number of Cooperative members in good standing, not less than five (5) nor more than nine (9), who are not members of the Nominating Committee and who are not existing Cooperative employees, agents, officers, Trustees or known candidates for Trustee, and who are not close relatives as defined in Section 6.15 or members of the same household of any such person. In appointing the Committee, the Board shall have regard for the equitable representation of the several districts served by the Cooperative. At its first meeting, the Committee shall elect its own chairperson and secretary. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, other than mail-in and absentee ballot voting, which shall be conducted and counted prior to the member meeting by the independent auditor pursuant to procedures set forth in 3.05 or established by the Board; to pass upon all questions that may arise with respect to the registration of members; to count all non-written ballot votes taken; to rule on all other questions that may arise relating to member voting and the election; and to pass on any protest or objection filed with respect of any aspect of any election or other voting; PROVIDED, the Committee shall not count, nor rule upon any question relating to mail-in ballots or any other written ballots; and those functions which shall be performed by the auditor. It shall also be the responsibility of the Committee to enforce the following regulation: With respect to any matter that is to be voted on at a member meeting, no person shall be allowed within 100 feet of the entrance to any building or other facility in which the registration or voting areas are located or in relation to any person who is in a registration or voting line, to campaign by personally communicating to any other person, or to display any sign, or by using any noise amplifying device or by playing any recorded audio or visual device, or by distributing any written or printed material where registration and voting occurs. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. Any such protest or objection must be filed with the Cooperative during, or within three (3) business days following the adjournment of the meeting in which the voting is conducted. The Committee shall then be reconvened not more than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protestors 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 those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. 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 based on the evidence presented and shall be final.

SECTION 3.07. Order of Business. The order of business at the Annual or Special meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (1) Registration and voting for Trustees and any other items listed on the ballot;
- (2) Call to Order
- (3) Report on the number of members registered in person, or in the case of an annual meeting, report the number of mail-in and absentee ballots in order to determine the existence of a quorum;
- (4) 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;
- (5) Reading, or the waiver thereof, of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;

- (6) Presentation and consideration of reports of officers, Trustees and committees;
- (7) Unfinished business;
- (8) New business;
- (9) Announcement of the results of any election of Trustees and any other ballot vote not previously announced; and
- (10) Adjournment.

Notwithstanding the foregoing, the Board may from time to time establish a different order of business for the purpose of fixing an earlier or later consideration of and action upon any item of business the transaction of which is necessary or desirable in such changed order; PROVIDED, no business other than adjournment of the meeting as provided for in Section 3.04 (b) may be transacted until and unless the existence of a quorum is first established.

ARTICLE IV BOARD OF TRUSTEES

SECTION 4.01. Number and General Powers. The activities and affairs of the Cooperative shall be governed by a Board of nine (9) Trustees, which shall set policy, provide for competent management, and 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 Trustee of the Cooperative who while serving on the Board or during the three (3) years preceding his/her nomination thereto shall have been finally adjudged to be guilty of a felony, or is a close relative of an incumbent Trustee or of an employee of the Cooperative, or who has not been, for at least one (1) year prior to his/her nomination, a member in good standing of the Cooperative receiving service therefrom at his/her primary residential abode in the Trustee District from which he/she was or would be elected, or who has within the past five (5) years been employed by the Cooperative. No person shall be eligible to become or remain a Trustee of, or to hold any other position of trust in the Cooperative who is not at least nineteen (19) years of age, or is in any way employed by or has a substantial financial interest in a competing enterprise, or a business selling electric energy, services or supplies to the Cooperative, or a competitive business primarily engaged in selling electrical or plumbing appliances, fixtures, services or supplies to the members of the Cooperative, or who is engaged in a business that has substantial dealings with the Cooperative other than through the purchase of its electric power and energy and through which he/she could materially benefit therefrom. Trustees accepting office shall agree to attend a reasonable number of essential seminars, workshops, state, regional and national meetings in order to become and remain an effective Trustee.

Notwithstanding the foregoing provision of this Section treating with close relative relationships, no incumbent Trustee shall lose eligibility to remain a Trustee or to be re-elected a Trustee if, during his/her incumbency as a Trustee, he/she becomes a close relative of another incumbent Trustee or of a Cooperative employee because of a marriage or an adoption to which he/she was not a party. An employee of the Cooperative shall lose eligibility to continue in the employment of the Cooperative if he/she becomes a close relative of a Trustee because of a marriage or an adoption to which he/she is a party.

A Trustee position shall automatically become vacant if he/she misses three (3) regular meetings of the Board during any twelve (12) month period unless the remaining Trustees by a majority vote resolve that there was a good cause for such absences. 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 an interest in conflict with that of the Cooperative.

SECTION 4.03. Election. At each annual meeting of the members, Trustees shall be elected by the members voting by secret ballot cast either in person at the annual meeting, by absentee ballot, or by mail-in ballot. PROVIDED, there is only one nominee for a particular Trustee District or position, secret balloting by mail or otherwise may be dispensed with in respect to that particular election and voting may be conducted in any other proper manner. Trustees shall be elected by a plurality of the votes cast with plurality being defined as the candidate receiving the most votes. Drawing by lot shall resolve, where necessary, any tie votes.

SECTION 4.04. Tenure. Trustees shall be so nominated and elected that one Trustee from each of Trustee District Nos. 7, 8, and At-Large shall be elected for three-year terms at the annual member meeting in 1999; one Trustee from each Trustee District Nos. 1, 3 and 5 shall be elected for three-year terms at the annual member meeting in 2000; and one Trustee from each of Trustee Districts Nos. 2, 4 and 6 shall be elected for three-year terms at an annual member meeting in 2001; and shall follow this rotation in all subsequent years. Upon their

election, Trustees shall, subject to the provisions of these Bylaws with respect to the removal of Trustees, 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 due to the absence of a quorum in attendance or for any other valid reason, an election of Trustees shall not be held at an annual meeting of the members which was duly fixed and called pursuant to these Bylaws, the Trustees then in office shall serve until the next year's Annual Meeting as provided for in Section 3.01.

SECTION 4.05. Trustee Districts. The territory served by the Cooperative shall be divided into eight (8) Trustee Districts. Each District shall be represented by one Trustee. The Trustee Districts shall be as shown on large-scale maps located and available for inspection by any member upon reasonable request during normal office hours at the Cullman or Addison offices and any other office regularly maintained by the Cooperative. A description of the Trustee Districts by map and grid reference shall be made available to any member upon request. Every year, the Board at its June meeting, shall review the Districts. If the Board determines that the boundaries of Districts should be altered so as to correct any substantially inequitable factors regarding the comparative numbers of members served in the respective Districts or the geographic location of Districts, the Board shall cause the boundaries of the districts to be altered so as to correct the substantially inequitable factors regarding the comparative numbers of members served in the respective districts and publish said change to the membership. Upon the submission of a petition as set forth in 6.14 signed by fifty (50) or more members of the Cooperative, the Board Chairperson of the Cooperative shall be required to call a special meeting of the Board to consider and take action upon the rearranging of the geographical boundaries of the eight-districts to accomplish the purpose of the redistricting provision. Redistricting shall be accomplished by moving the district boundaries using the Cooperative's map and grid boundaries and keeping the general boundaries as near the original configuration as possible. Notwithstanding any provision of this section, a violation of such redistricting provision shall not invalidate or in any way affect or impair the validity of any corporate action.

SECTION 4.06. Nominations. Each year, it shall be the duty of the Board to appoint, not less than seventy-five (75) nor more than one hundred fifteen (115) days prior to the date of a meeting at which Trustees are to be elected, a Committee on Nominations, consisting of not less than five (5) nor more than nine (9) members of the Cooperative. Members of the Committee shall not be existing Cooperative employees, agents, officers, Trustees or known candidates for Trustees, nor close relatives as defined in Section 6.15 or members of the same household of any such person and shall be so selected to give equitable representation on the Committee to the Cooperative service area. The Committee at its first meeting will elect its own Chairperson and Secretary. The Committee shall prepare and post at all regularly maintained offices of the Cooperative at least thirty (30) nor more than ninety (90) days prior to the meeting a list of nominations for Trustees to be elected at the meeting and the nominee(s) for the at-large Trusteeship if such is to be elected at such meeting. The Committee may include as many nominees for any Trustee position to be elected as it deems desirable. However, the committee shall nominate at least (2) candidates for each position to be filled by election. In the event there is no quorum present, no business shall be conducted.

Any twenty-five (25) or more members of the Cooperative, acting together by petition as set forth in Section 6.14, may make additional nominations in writing over their signatures, listing their nominations in like manner, not less than ninety (90) 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. Except as provided for in Section 4.07, nominations may not be made from the floor. Each candidate for Trustee shall be required to complete a "Trustee Disclosure and Biography Form" which will be posted with the nominations.

The notice of the meeting as set forth in Section 3.03 shall include the names and addresses of all such nominees indicating which were nominated by committee and which, if any, were nominated by petition. Nominations for Trustee in any other manner shall not be allowed except as provided for in Section 4.07. Notwithstanding the provisions contained in this Section, failure to comply with any such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board after the election of Trustees.

SECTION 4.07. Removal of Trustees by Members. Any member may bring one or more charges with cause against any one or more Trustees, alleging acts or omissions adversely affecting the business and affairs of the Cooperative that amount to actionable negligence, malfeasance, misfeasance, nonfeasance, fraud or criminal conduct, or failure to meet or maintain the qualifications set forth in Section 4.02 hereof, and may request the removal of such Trustee(s) by reason thereof by filing such charge(s) in writing together with a petition as set forth in Section 6.14, signed by not less than ten percent (10%) of the total membership of the Cooperative. Any special meeting called for this purpose will be scheduled and subsequently held consistent with Section 3.02.

In addition to the petition requirements as stated in Section 6.14, the petition shall also state verbatim the charges and the names of the Trustees against whom each charge(s) is (are) being made. Notice of such charge(s) verbatim, of the Trustee(s) against whom the charges have been made and of the member(s) filing the

charge(s) shall be contained in or accompany the notice of the meeting to the members not less than five (5) nor more than thirty (30) 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 Trustee(s). Such Trustee(s) shall be informed in writing of the charges within no more than 20 days after they have been validly filed and at 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 Trustee(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting and such Trustee shall be removed upon the vote in favor of removal by a vote of ten per cent (10%) of the membership present and voting in person. Provided, the question of the removal of a Trustee shall not be voted upon at all unless some evidence in support of the charge(s) against him/her shall have been presented during the meeting through oral statements, documents, or otherwise. It is further provided that no Trustee shall be so removed from office for the reason that he, in good faith and believing such to be in the best interest of the Cooperative and of its present and future members, failed or declined to support, or that he/she opposed;

- (1) a proposal to sell, lease-sell or otherwise dispose of all or a substantial portion of the Cooperative's assets and properties, 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, disposition 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, disposition or dissolution.

Any vacancy created by such removal shall be filled as provided for in Section 4.08 provided there remains a quorum of five (5) Trustees otherwise, any vacancy created by such removal shall be filled by a person meeting the qualification requirements of Section 4.02 elected by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, and nominations shall be made from the floor.

A newly elected Trustee will be from the same Trustee District as was the Trustee whose office he/she succeeds and shall serve out the unexpired portion of the removed Trustee's term.

SECTION 4.08. Vacancies. Subject to other provisions of these Bylaws, with respect to the filling of vacancies, a vacancy occurring in the Board shall be filled by an affirmative vote of a majority of the remaining Board. A Trustee thus elected shall serve out the unexpired term of the Trustee whose office was originally vacated and until his/her successor is elected and qualified.

SECTION 4.09. Compensation and Reimbursement. Board members shall not receive any salary for their services as such; however, the Board serves an integral role in the Cooperative. Their responsibilities are many and all action taken by the board must display a true commitment to serve all members of the Cooperative in a trustworthy and professional manner. Researching data necessary to set policy, adequately performing committee assignments and attending necessary conferences and training programs requires sincere dedication and time from each Trustee.

In the interest of establishing Trustee fees which will be fair to both the Cooperative and Trustees, the Board will appoint an independent compensation committee consisting of three (3) members of the Cooperative who are in good standing and who are esteemed members of the community. No member of this committee shall be an employee of the Cooperative or a close relative of any Board Member as defined in Section 6.15. It shall be the responsibility of the independent compensation committee to review annually the time requirements of the Board and establish a schedule of fees for each position of the Board.

No health, medical, and life insurance premiums are to be paid by the Cooperative on behalf of the Trustees as a portion of their fees. A Trustee would be allowed to participate in the Cooperative's health, medical and life insurance plans at the total expense of the Trustee. At such time an individual, for whatever reason, ceases to serve as a trustee, the individual, their spouse, or dependents will have the option of continuing said coverage, at the expense of the individual, if such option is allowed by the cooperative's insurance carrier. If such option is not available through the cooperative's insurance carrier, the cooperative is in no way obligated to secure or make available such coverage to the individual.

To provide for a level of fee which is consistently fair, it is understood that in no event will the amounts to be established each year by the committee and paid to the Trustees of Cullman Electric Cooperative vary more than plus or minus ten percent (10%) from the average total compensation paid to the Trustees of all electric cooperatives in the State of Alabama. If authorized by the Board, board members may also be reimbursed for expenses actually and necessarily incurred in carrying out Cooperative business such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized to do so.

SECTION 4.10. Policies, Rules, Regulations, Rate Schedules, and Contracts. The Board shall have power to make, adopt, amend, abolish, and promulgate such polices, rules, regulations, rate classifications, rate schedules, contracts, security deposits, and any other types of deposits, payments or charges, including contributions in aid-to-construction which are not inconsistent with law or the Articles of Incorporation or these Bylaws, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

SECTION 4.11. Accounting System and Reports. The Board shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and conditions, subject to and not inconsistent with applicable laws and rules and regulations of any regulatory body. The Board shall also, after the close of each fiscal year, cause to be made a full, complete, and independent audit of the accounts, books, and records reflecting the financial operations during, and financial condition of the Cooperative as of the end of such fiscal year. A summary of such audit reports shall be made available upon request to the members as soon after their completion as practicable. The Board may authorize special audits, complete or partial, at any time and for any specified period of time. The system shall conform to the regulations of the Rural Utilities Service (RUS), the Tennessee Valley Authority (TVA) and/or other agencies with similar authority and requirements.

SECTION 4.12. Subscription to a Cooperative Newsletter; Subscription to "Alabama Living." For the purpose of disseminating information devoted to the safe, economical, effective and conservative use of electric energy, the Board shall be empowered, on behalf of and for circulation to the members periodically, to subscribe to the "Alabama Living" magazine or another similar or subsequent type of Cooperative newsletter. The annual subscription price for such newsletter shall be paid as an operating expense of the Cooperative. The "Alabama Living" magazine shall be the principal means of communicating to the members all notices unless other means are approved by the Board.

ARTICLE V MEETINGS OF BOARD OF TRUSTEES

SECTION 5.01. 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 after a special meeting as defined in Section 4.07, if five (5) or more Trustees are removed from office, 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 on such day and at such time and place within a county served by the Cooperative, 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 Trustee absent from any meeting of the Board at which such a resolution initially determines, or makes any change in, the day, time or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next regular meeting of the Board; AND PROVIDED FURTHER, if a policy therefore is established by the Board, the Chairperson may change the day, time or place of a regular monthly meeting for good cause and upon not less than five (5) days' notice thereof to all Trustees.

SECTION 5.02. Special Meetings. A special meeting of the Board may be called by the Board, by the Chairperson, or by any three (3) Trustees, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as provided in Section 5.03. The Board, the Chairperson, or the Trustees calling the meeting shall fix the date, time, method of communication, and place for the meeting.

SECTION 5.03. Notice of Trustees Meetings. Written notice of the date, time, place, and of the purpose or purposes 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 Trustee not less than five (5) days prior thereto, either personally or by mail, by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by him/her or those calling the meeting in the case of a special meeting or by any Trustee in the case of a meeting whose date, time, and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Trustee at his/her 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 date set for the meeting. The attendance of a Trustee 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 in writing to the transaction of any business, or of one or more items of business, on the grounds that the meeting shall not have been lawfully called or convened.

SECTION 5.04. Quorum. The presence in person of a majority of the Trustees in office shall be required for the transaction of business and the affirmative votes of a majority of the Trustees present shall be required for any action to be taken; PROVIDED, a Trustee who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of Trustees in office or present; AND PROVIDED FURTHER, if less than a quorum be present at a meeting, a majority of the Trustees present may adjourn the meeting from time to time, but shall cause all Trustees to be duly and timely notified of the date, time and place of such adjourned meeting.

ARTICLE VI OFFICERS; MISCELLANEOUS

SECTION 6.01. Number and Title. The officers of the Cooperative shall be the Chairperson of the Board, Vice Chairperson, 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 named in Section 6.01 shall be nominated and elected by secret written ballot annually, by and from the Board at the first meeting of the Board held after the annual meeting of the members or after a special meeting as defined in Section 4.07, if five (5) or more Trustees are removed from office. 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/her successor shall have been duly elected and shall have qualified, subject to the provisions of the Bylaws with respect to the removal of Trustees and to the removal of officers by the Board. Any other officers may be elected by the Board from among such persons and with such title, tenure, responsibilities and authorities as the Board may from time to time deem advisable. When necessary, tie votes for any election shall be resolved by drawing of lots.

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, subject to the provisions of any employment contract or agreement.

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. Chairperson of the Board. The Chairperson of the Board shall:

- (a) 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 and their execution of which may be 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 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 Chairperson and such other duties as may be prescribed by the Board from time to time.

SECTION 6.06. Vice Chairperson. In the absence of the Chairperson, or in the event of his/her inability or refusal to act, the Vice Chairperson shall perform the duties of the Chairperson, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairperson; and shall perform such other duties as from time to time may be assigned to him/her 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 of the seal of the Cooperative 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 is required by law;
- (d) keep, or cause to be kept, a register of the name and post office address of each member, whose address shall be furnished to the Cooperative by such member;

- (e) sign, with the Chairperson, any certificates of membership the issue and their execution of which may be 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 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, and, at the expense of the Cooperative, furnish a copy of such documents 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/her 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) cause to 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/her 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 herein before 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 Trustees. To the extent 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. President and Chief Executive Officer. The Board shall appoint/hire a President and Chief Executive Officer (CEO), who may be but who shall not be required to be, a member of the Cooperative. 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/her, and such duties and authorities shall be fully set forth in a written position description approved by the Board. No person shall be eligible to become or remain as President and CEO who while serving in said capacity is a close relative of a Trustee or of an employee. Notwithstanding the foregoing provision of this Section treating with close relative relationships, no President and CEO shall lose eligibility to remain as President and CEO if, during his/her tenure, he/she becomes a close relative of a Trustee or employee because of a marriage or an adoption to which he/she was not a party. A Trustee or an employee, as the case may be, shall lose his/her eligibility to continue in his/her capacity as Trustee or employee if he/she becomes a close relative of the President and CEO because of a marriage or an adoption to which he/she was a party.

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 be bonded 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 be bonded in such amount and with such surety as it shall determine. The costs of all such bonding shall be borne by the Cooperative.

SECTION 6.12. Compensation; Indemnification. Compensation of officers, agents, and employees shall be fixed or a plan therefore approved by the Board. The Cooperative shall indemnify the present and former Trustees and officers, including the chief executive officer, and may, but shall not be obligated to, indemnify one or more other present or former agents or employees of the Cooperative, against liability and costs of defending against liability, including attorney's fees, to the fullest extent allowable by law, including S 37-6-3(16) of the Code of Alabama, as the same may from time to time be amended, and may purchase insurance to cover such indemnification. This provision shall not eliminate or limit the liability of a Trustee for any of the following: (a) a breach of the Trustee's duty of loyalty to the Cooperative or its members; (b) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (c) a transaction from which the Trustee derived an improper personal benefit.

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. Petition. Any petition from members as set forth in Sections 4.05, 4.06, 4.07, 13.02 or any other section of these bylaws shall: have the member's name clearly printed and be signed in the same name as he/she is billed by the cooperative and shall state the signatory's address and Cullman Electric Cooperative account number as the same appears on such billings. Any entry not legible shall not be counted in determining the members present or the percentage required by petition. All petitions will be filed with the Board of Trustees at the Cullman, Alabama office of the Cooperative and will be audited for validity.

SECTION 6.15. "Close Relative" Defined (Nepotism). As used in these Bylaws, "close relative" is defined as spouse, parents, grandparents, grandchildren, son, daughter, brother, sister (including those of spouse) and aunt, uncle, niece, nephew, son-in-law, or daughter-in-law. In the event two employees become in-laws through marriage of a relative, continued employment is permissible. If one employee marries another employee, it is mandatory that one employee resign. The determination as to which employee shall terminate will be made by the affected employees within thirty (30) days of the date of the event which resulted in the non-compliance with this section. If the affected employees cannot reach a mutual agreement, the Board will, as soon as reasonably practical, make the decision as to which employee will be terminated. Upon establishment of the fact that any person being considered for, or already holding a Trusteeship or employee of 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/her to be removed therefrom, as the case may be. This section applies only to situations or changes of status that may occur following the effective date of these bylaws. Furthermore, any other restrictions within these bylaws having to do with "close relative" relationships between employees and/or Board members, will not be applicable to any relationship which may exist, or have existed, prior to their adoption.

ARTICLE VII FINANCIAL TRANSACTIONS

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 except petty cash 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.

SECTION 7.04. 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 VIII NON-PROFIT OPERATION

SECTION 8.01. Disposition of Excess Revenue. All revenues in excess of operating cost and expenses of the Cooperative at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons of the Cooperative as capital. Revenues of the Cooperative for any year in excess of the amount thereof necessary;

- (a) to defray expenses of the Cooperative and of the operation and maintenance of its facilities during such fiscal year;
- (b) to pay interest and principal obligations of the Cooperative coming due in such fiscal year;
- (c) to finance, or to provide a reserve for the financing of, the construction or acquisition by the Cooperative of additional facilities to the extent determined by the Board;
- (d) to provide a reasonable reserve for working capital;
- (e) 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; and
- (f) to provide a fund for education in cooperation and for the dissemination of information concerning the effective use of electric energy and other services made available by the Cooperative

shall be distributed, or allocated by the Cooperative to its members either as patronage capital prorated in accordance with the Cooperative's policies or other requirements related to such.

SECTION 8.02. Patronage Refunds in Connection with Furnishing Other Services. In the event the Cooperative should engage in the business of furnishing goods or services other than electric 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 distributed or allocated as specified in Section 8.01.

ARTICLE IX WAIVER OF NOTICE

Any Trustee or member may waive, in writing, any notice of meetings required to be given by these Bylaws or otherwise required, either before or after such notice is required. The attendance of a Trustee or member at any meeting shall constitute a waiver of notice of such meeting, except in case he/she shall attend the meeting for the express purpose of objecting to the transaction of any business, or one or more items of business, on the grounds that the meeting has not been lawfully called or convened. Any Trustee or member attending any meeting for the purpose of making such objection shall in writing notify the Secretary prior to or at the beginning of the meeting of his/her objection.

ARTICLE X DISPOSITION AND PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

SECTION 10.01. Disposition and Pledging of Property.

(a) Consistent with the Code of Alabama 1975, Section 37-6-21 and subsection (b) hereof, the Cooperative may authorize the sale, lease, lease-sale, exchange, conveyance, transfer or other disposition of all or a substantial portion of its properties and assets; and may mortgage, pledge or otherwise encumber all or any portion of its properties and assets and the revenues therefrom to secure indebtedness; and the Board of Trustees, without further authorization of the Cooperative's members, shall have full power and authority (i) to borrow monies from any source and in such amounts as the Board may from time to time determine or (ii) to mortgage or otherwise pledge or encumber any or all of the Cooperative's properties and assets as security therefore. The Board may also, without prior approval of the members, dispose of the Cooperative's properties and assets that do not constitute a substantial portion of the Cooperative's properties and assets, if the proposed sale is in the nature of an involuntary sale, such as condemnation, or a sale required or authorized by electric utility territorial legislation or if the property or assets to be sold are no longer used or useful in conducting the business of the Cooperative. Properties and assets authorized for disposition by voluntary agreement of the Board of Trustees, where such disposition is in the nature of a forced sale for the reason that the purchaser possesses and would otherwise exercise the legal right to acquire, damage, relocate, or destroy such property by condemnation or otherwise without the Cooperative's consent, shall constitute "merchandise or property no longer necessary or useful for the operation of the Cooperative." "Substantial portion" shall be defined as ten percent (10%) or more of the dollar value of the Cooperative's gross total assets as reflected on its books at the time of the transaction.

(b) Not inconsistent with the foregoing subsection (a) and any other applicable provisions of law or of these Bylaws, the Cooperative shall not sell, lease, lease-sell, exchange, convey, transfer, or dispose of all or a substantial portion of the Cooperative's properties and assets or service territory unless such transaction has been authorized at a duly held meeting of the members thereof by the affirmative vote of not less than two-thirds (2/3) of all the members of the cooperative present and voting, but only in conformity with the following:

(1) If the Board of Trustees looks with favor upon accepting a proposal for such sale, lease, lease-sale, exchange, conveyance, transfer, or other disposition, or if it looks with favor upon making an offer for such, it shall first appoint three (3) persons, each of whom is independent of the Cooperative and of the other two (2) and each being expert in electric utility property evaluations and commission them, separately, to study, appraise, and evaluate such assets and properties, including their going concern value and the values associated with the right of the members to participate in the ownership and control of the Cooperative. Such appraisers shall be instructed to and shall take into account any other factors they may deem relevant in determining the present market value of such assets and properties. Within not more than ninety (90) days after their appointment, each appraiser shall render his/her or its determination of such present value. The Board of Trustees shall not recommend and submit for member approval any plan to sell, lease, lease-sell, exchange, convey, transfer, or otherwise dispose of such assets and properties for a consideration that is less than the greater of (i) one hundred fifty percent (150%) of the total gross utility plant of the

Cooperative or (ii) the highest such determination rendered by the appraisers; nor shall it, following the expiration of one (1) year after receipt of the appraisers' reports, make such a recommendation and submittal without, again, first complying with the foregoing requirements.

(2) If, after receiving such appraisals, the Board of Trustees resolves to pursue the matter further, it shall, within sixty (60) days after such resolution, transmit the appraisal, together with any underlying data and information that may have accompanied them, to every other electric cooperative corporately sited and operating in Alabama and invite them to submit competing or alternative proposals, including proposals to merge or consolidate with the Cooperative. Such appraisals shall also be accompanied by any proposal for such a sale, lease, lease-sale, exchange, conveyance, transfer or other disposition received by the Cooperative within one (1) year prior to the receipt of the last appraisal or received subsequent thereto but prior to the adoption of such resolution; provided, only the most recent proposal from a person that has made two or more proposals need be so transmitted. Such other cooperatives shall be given at least ninety (90) days within which to submit competing or alternative proposals, and they shall be notified in such transmittal of the actual final date for such submissions. If the Board of Trustees of the Cooperative has authorized and the officers have executed an option agreement, right of first refusal agreement, compact or other agreement giving one or more other electric cooperatives or power suppliers to the Cooperative the option or right to match a proposal or offer for sale, lease, lease-sale, exchange, conveyance, transfer, or other disposition of the Cooperative's assets, the provisions of such agreement shall be followed and any offer made pursuant to such agreement that meets the requirements of such agreement shall be presented to the members for vote in accordance with the provisions of subsection (3) below, and no other offer or proposal need be sent to the members, and no other offer or proposal shall be considered or voted upon at the meeting.

(3) If after such date, the Board of Trustees determines that favorable consideration should be given to it or any subsequent proposal which has been submitted to or developed the Board, it shall not less than fifty (50) days before sending notice to the members of a member meeting for action thereon, so notify the members, informing them of the Board recommended proposal and accompanying the proposal with verbatim copies of all competing or alternative proposals it has received, together with all of the appraisals. The Board of Trustees shall thereafter call and give notice of a special meeting of the members thereon or, if it so determines, notify the members that the matter will be considered and acted upon at the ensuing annual member meeting. The special or annual meeting shall be held not less than forty (40) days after the giving of the notice thereon.

(4) Any two hundred (200) or more members of the Cooperative may, over their respective signatures and within not less than thirty (30) days prior to the date of such member meeting, petition the Cooperative or mail to all of the Cooperative's members any statement of opposition to the Board of Trustees' recommendation and/or of their own recommendation that a competing or alternative proposal, which may be or include a proposition to merge or consolidate the Cooperative with one or more other electric cooperatives, be submitted to and acted upon by the members at such meeting; in which event the Board of Trustees shall cause a printed copy of the petition, including the printing of the names of the member signatures thereof, together with a printed copy of the statement, to be transmitted to all of the Cooperative's members via the United States mail, with first-class postage thereon prepaid, not less than twenty (20) days prior to such member meeting, with the cost of such printing and mailing to be borne by the Cooperative. When so mailed, such petition and statement shall constitute sufficient notice of any such competing or alternative proposal for the same to be considered and acted upon at such meeting. The provisions of this Section 10.01 (b) shall not apply to a Board recommended proposal to merge or consolidate the Cooperative with one or more other electric cooperatives.

(c) The Board of Trustees is expressly authorized to establish Board policies and procedures to be used in processing and responding to any offers for the sale, lease, lease-sale, exchange, conveyance, transfer, or other disposition of all or a substantial portion of the Cooperative's properties and assets, including, without limitation, the details to be contained in any such offer, disclosure, and other information to accompany such offer, any escrow deposits required to accompany such offer, any restraints or conditions on media contact by the offeror, any provisions on notification of Cooperative members of the receipt of any offer, any consultants that may be retained to assist the Board of Trustees in evaluating such offer, any requirement by the offeror to provide information on potential tax liabilities of the offer to the Cooperative and its members, any other investigations, or studies that the Board of Trustees may consider relevant to its evaluation of the offer, any requirement that more than a simple majority of the Board of Trustees must vote in order to present any offer to the members, the requirement that a feasible plan for the release or satisfaction of any wholesale power contract obligations with the Cooperative be

presented, any requirements for continued employment of Cooperative employees, indemnification requirements for employees, Trustees, officers, agents, servants, attorneys, accountants, consultants, representatives or others, any requirement that the consideration for such acquisition be paid directly to the Cooperative with any exceptions or qualifications thereto, any requirements for the obtaining of any regulatory or contractual approval, any restrictions on the time an offer or any affiliate of the offeror must wait to submit a new offer if the offer is withdrawn or rejected and any evaluation criteria the Board of Trustees may establish, including the best interest of the Cooperative's past, present, and future members, taking into consideration both economic and non-economic matters, for the present and reasonably foreseeable future, and the impact of the offer on the communities and areas served by the Cooperative.

(d) No offer to purchase or lease-purchase and no offer to sell, lease, lease-sell, exchange, convey, transfer or otherwise dispose of all or a substantial portion of the Cooperative's assets and properties shall be valid or, if made and accepted, enforceable unless the total consideration to be paid or otherwise furnished therefore, to the extent that the same is in excess of the amounts necessary to discharge or to provide for the discharge of the Cooperative's liabilities, shall be distributed to, or if such be the case, allocated and assigned to the patrons or former patrons of the Cooperative in the manner provided for in the Articles of Incorporation, Bylaws or applicable law.

(e) No member meeting to consider any offer shall be called unless: (i) the offer has been submitted to the Board of Trustees and not directly to the members without Board recommendation and (ii) the Board has followed the procedures for evaluating such offer set out in the electric cooperative statute, these Bylaws and any Board policies and procedures for processing and responding to any offer. If the Cooperative shall receive any offer from any person or entity to acquire or lease all or a substantial portion of the assets or property of the Cooperative, the requirements of the second and subsequent paragraphs of Section 37-6-21 of the Code of Alabama 1975, as amended as it may read from time to time, shall be followed.

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 shall be distributed without priority but on a patronage basis among all persons who are or have been members of the Cooperative during the seven (7) years next preceding the date of the filing of the certificate of election to dissolve or such other reasonable basis as the Board may determine; PROVIDED, if in the judgment of the Board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, provide for the donation of such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation.

ARTICLE XI 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, Trustees or committees.

ARTICLE XII SEAL

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

ARTICLE XIII BYLAW AMENDMENTS

SECTION 13.01. Power to Amend. The Cooperative's Bylaws may be adopted, amended or repealed ("changed") by the members; PROVIDED, either the Board or the members may declare the repeal of any bylaw provision if, as established by law, such is illegal or has become a legal nullity.

SECTION 13.02. Procedure for Amending. A bylaw may be changed by a vote of the members only if it is (a) sponsored by the Board of Trustees; (b) introduced in accordance with Section 3.05(g)(2), or (c) at least three

percent (3%) of the total membership file a petition as provided for in Section 6.14 proposing such change and setting forth with particularity the wording thereof and the time that the change is to become effective, at least one hundred and eighty (180) days prior to the date of the Annual Meeting.

Upon the receipt of the petition, the Board shall be responsible for including such proposed change on the agenda in accordance with Section 3.03; 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; PROVIDED FURTHER, that in the event of a determination is made by the Courts that said determination by the Board was incorrect and arbitrary, the Cooperative shall be responsible for the reasonable attorney's fees and Court cost of the member or members responsible for any litigation in which such a determination is made; PROVIDED FURTHER, that in the event that a determination is made that said decision was not incorrect or was not arbitrary, the member or members responsible for the litigation shall be responsible to the Cooperative for the Cooperative's reasonable attorney's fees and court Cost; and PROVIDED FURTHER that no portion of Section 10.01 (b)-(e) of these bylaws may be changed unless approval of such change be given by the affirmative vote of two-thirds (66.67%) of all members of the Cooperative.

ARTICLE XIV EFFECTIVE DATE

These bylaws shall become effective immediately following the adjournment of the meeting at which a quorum was present and during such meeting these bylaws were approved by a majority vote of the members registered and voting.