

**BYLAWS
of
COVINGTON
ELECTRIC
COOPERATIVE,
INC.**

April 4, 2019

ARTICLE I - MEMBERSHIP

STATEMENT OF NONDISCRIMINATION

Covington Electric Cooperative, Inc., is the recipient of Federal financial assistance from the Rural Utilities Service, an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, as amended, and the rules and regulations of the U.S. Department of Agriculture which provide that no person in the United States on the basis of race, color, national origin, sex, religion, age, or disability shall be excluded from participation in, admission or access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for coordinating this organization's nondiscrimination compliance efforts is Charles E. Short, President, Chief Executive Officer and General Manager. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may obtain further information about the statutes and regulations listed above from and/or file a written complaint with this organization; or the Administrator, Rural Utilities Service, Stop 1510, 1400 Independence Avenue, SW, Washington, DC, 20250-1510; or the Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410; or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.

SECTION 1.01 Eligibility; Transfer. 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," "member,") shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by member, to receive electric service from Covington Electric Cooperative (hereinafter called the "Cooperative"). No membership shall be transferable except as may be permitted in these bylaws. Membership may be denied to a person, or a member of such person's household who is indebted to the Cooperative for electric services previously provided at the location for which service is now being requested or a former location at which such person or member of member's household were furnished electric service.

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 on such form as is provided therefor by the Cooperative. With respect to any particular classification of service for which the Board of Trustees shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefor 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 fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), which fee (and such service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, if any) shall be refunded in the event the application is by Board resolution denied. 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 Alabama legal rate on judgments in effect when such account first became overdue, compounded annually (together with any service security deposit, or contribution in aid of construction that may be required by the Cooperative), renew and reactivate any prior application for membership to the same effect as though the application has been newly 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 of Trustees. The membership fee (together with any service security deposit, or service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, or any combination thereof, if required by the Cooperative) 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 a service security deposit, a facilities extension deposit or a contribution in aid of construction or any combination thereof, if required by the Cooperative), shall be paid by the member for each additional service connection requested by member.

SECTION 1.04 Joint Membership. Any two people, 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 into a joint membership by jointly executing another membership application.

The terms "member," "applicant," "person", as used in these Bylaws, shall include any two people 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; and
- (e) either, but not both concurrently, shall be eligible to serve as a trustee of the Cooperative, but only if both meet the qualifications for such office.
- (f) In the event of a legal separation pursuant to a written agreement or court order, and in the event of a divorce of the spouses holding a joint membership, or in the event that one individual vacates a premise, if one joint member legally retains possession of a premise being served by the Cooperative, the joint membership, upon notice and proof of status, shall convert to a membership in the sole name of the joint member retaining possession of the premise served and such member shall be entitled to the payment of any future capital credits and to any security deposit that may be refunded in the future.
- (g) Upon the death of either individual who is a party to the membership, such membership shall be held solely by the survivor, who will be entitled to any future capital credit payments and will be entitled to any future refund of any service security deposit.
- (h) Upon legal separation, divorce of married individuals, the death of one joint member, or the removal of one individual from the premises, the Cooperative may require a service security deposit or an increase in such deposit from the individual retaining possession of a premise or the survivor in accordance with the Cooperative's standards for requiring service security deposits

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 their connection for electric service; provided, the Board of Trustees 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. 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 or directly occupied or used by the member, 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 person's membership, unless and except to the extent that the Board of Trustees may in writing waive such requirement; and shall pay, therefor, 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 and where the member generates a portion or all of the electricity the member uses, a charge for the Cooperative service of providing backup power or other services established by the Board of Trustees 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 member 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 to member by the Cooperative shall be deemed to be allocated and recorded on a pro rata basis to member's 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 furnished by members as capital, and each member shall be credited with the capital so furnished as provided in Article IX of these Bylaws.

SECTION 1.08 Wiring of Premises; Responsibility Therefor; 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 their 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. The Cooperative shall have the right to inspect any installation before electricity is supplied or any date thereafter to determine compliance with this requirement, but such inspection, or the failure to so inspect shall not render the Cooperative liable or responsible for any loss or damage resulting from defects in such wiring.

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 apparatus 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 of 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 members best efforts to prevent others from so doing.

Each member shall also provide such protective devices to their 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 there from, 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.

SECTION 1.09 Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Programs. 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, including internet or digital communications, 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 to minimize any inconveniences to the landowner in the construction, operations, maintenance or relocation of Cooperative electric facilities but the Cooperative may locate said facilities on said premises where it deems them necessary and under the terms and conditions as the Cooperative shall require. 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, or more efficiently to utilize or to conserve electric energy, or to conduct load research.

SECTION 1.10 No Liability for Debts of the Cooperative. All property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE II - MEMBERSHIP SUSPENSION AND TERMINATION

SECTION 2.01 Suspension; Reinstatement. Upon members failure, after the expiration of the initial time limit prescribed either in a specific notice to member 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 member's Membership Obligations, a person's membership shall automatically be suspended; and member 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 member's 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, they may, without further notice, but only after due hearing if such is requested by member, be expelled by vote of the Board of Trustees at any subsequently held regular or special meeting of the Board of Trustees. After expulsion of a member, they may not again become a member except upon new application therefor as provided in Sections 1.02 and 1.05; but the Board of Trustees, 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 their Membership Obligations.

SECTION 2.03 Termination by Withdrawal or Resignation. A member may withdraw from membership upon such generally applicable conditions as the Board of Trustees shall prescribe and upon either (a) ceasing to (or, with the approval of the Board of Trustees, resigning their membership in favor of a new applicant who also shall) own or directly occupy or use all premises being furnished electric service pursuant to this membership, or (b) except when the Board of Trustees 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 their membership provided that the death of either spouse holding a joint membership shall not terminate the membership and the surviving spouse shall continue to be a member, but the estate of the deceased spouse shall not be released from any debts due the Cooperative. 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 their 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, member or their estate, as the case may be, shall be entitled to refund of their membership fee (and members service security deposit, if any, theretofore paid to the Cooperative), less any amounts due the Cooperative; but neither member nor their 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 of Trustees shall expressly so elect, constitute release of such person from member's Membership Obligations as to entitle them 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.

ARTICLE III - MEETINGS OF MEMBERS

SECTION 3.01 Annual Meetings. For the purposes of electing trustees, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held not later than October 31 of each year at a location in the service area of the Cooperative

(such date and location to be selected by the Board of Trustees) and beginning at such hour as the Board of Trustees shall from year to year fix. It shall be the responsibility of the Board of Trustees to make adequate plans and preparations for; and to encourage member attendance at, the annual meeting and any special 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 Meetings. A special meeting of the members may be called by resolution of the Board of Trustees or upon a written request signed by the chairman, by any three (3) trustees or by petition signed by not less than ten percent (10%) of the then-total members of the Cooperative, 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. Special meetings of the members may be held at such place within a county served by the Cooperative in the state of Alabama, on such date, not sooner than thirty (30) 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 of Trustees.

SECTION 3.03 Notice of Member Meetings. Written or printed notice of the place, day 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 not less than five (5) days nor more than forty (40) days before the date of the meeting, either personally or by mail, by the Secretary and, in the case of a special meeting, at the direction of the Secretary. Any such notice delivered by mail may be included with member service billings or as an integral part of or with the Cooperative's monthly or periodic newsletter and/or its monthly or periodic insert, if any, in Alabama Living magazine or any similar magazine then being furnished to the members at the expense of the Cooperative. No matter may be acted upon by the members at a special meeting unless notice of such proposed action has been included in the notice of the meeting sent to the members provided, however, if by an affirmative vote of three-fourths (3/4) of those attending the meeting in person a motion is approved to suspend this notice requirement, then thereafter the matter not included in the notice of the meeting may be voted upon and may be adopted by a three-fourths (3/4) affirmative vote. Except as provided in the preceding sentence, no matter the carrying of which, as provided by law or by the Cooperative's Articles of Incorporation or Bylaws, requires the affirmative votes of more than a simple majority of the members voting at any meeting of the members shall be acted upon at any meeting of the members unless notice of such matter shall have been contained in the notice of the meeting.

If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at their address as it appears on the records of the Cooperative, with postage thereon prepaid and postmarked at least ten (10) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and non-intended failure of any member to receive a notice deposited in the mail addressed to the member at their address as shown on the Cooperative's books shall not invalidate any action which may be taken by the members at any such meeting.

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 so notify the secretary in writing prior to or at the beginning of the meeting.

SECTION 3.04 Quorum. Business may not be transacted at any meeting of the members unless there are present in person (or if mail voting is authorized pursuant to Section 3.05 hereof, then present in person or represented by mail votes) at least four percent (4%) of the then total members of the Cooperative, except that, if less than a quorum is present at any meeting, a majority of those present in person may without further notice adjourn the meeting to another time and date no sooner than thirty (30) days later and to any place within a county served by the Cooperative in Alabama; 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. 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. Registration of attendance at a meeting of members shall be used to determine a quorum.

Notwithstanding the normal quorum requirements stated in the preceding paragraph, the members may not vote to recall a trustee or trustees unless there are present in person at least six percent (6%) of the persons who are then members of the Cooperative.

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 vote upon each matter submitted to a vote at any meeting of the members. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registering 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 vote of a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation or these Bylaws. Members may not cumulate their votes or vote by proxy except, where the membership is in one spouse's name only, but that member is not present at the meeting, the member's spouse shall have been deemed to have a proxy from the member spouse to vote on behalf of the member. Members may cast their votes on matters included in the Notice of the meeting prior to the formal commencement of the business meeting on the day of the meeting after the member has registered their members attendance.
- (b) If so authorized by the Board of Trustees, by resolution of the Board, members may vote by mail ballots on Bylaw adoption, amendment or repeal, and for the election of trustees or on any other matter authorized by the Board, and, in such event, the Board of Trustees shall also specify the procedure to be followed in such mail voting. "Mail voting" shall include votes or ballots that are delivered or returned to the Cooperative by members by means other than mailing. If the Board has authorized mail balloting with respect to any meeting of the members, it shall also determine the effect of the presence in person at the meeting of any member who or which, prior thereto, has cast a mail ballot. Failure of any member to receive a ballot shall not invalidate any action which may be taken by the members by virtue of such vote.
- (c) If so authorized by the Board of Trustees, by resolution of the Board, members may vote by mail ballots upon any motion or resolution to be acted upon at any meeting in connection with the borrowing of funds from the United States of America or any agency or instrumentality thereof, or any other lender, the mortgage, lease or other encumbrance

of the property of the Cooperative to the United States of America, any trustee, agency or instrumentality thereof, or any other lender. In the event mail voting is used for this purpose, the Board of Trustees shall specify the procedure to be followed in such mail voting. Failure of any member to receive a ballot shall not invalidate any action which may be taken by the members by virtue of such vote.

SECTION 3.06 Order of Business. The order of business at the annual meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (1) Report on the number of members present in person in order to determine the existence of a quorum;
- (2) Reading of the notice of the meeting and proof of the due giving thereof, or of the waiver or waivers of notice of the meeting, as the case may be;
- (3) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- (4) Presentation and consideration of reports of officers, trustees and committees;
- (5) Election of trustees;
- (6) Unfinished business;
- (7) New business; and
- (8) Adjournment.

Notwithstanding the foregoing, the Board of Trustees 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 to another time and place 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 managed by a board of six (6) trustees, which 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 trustee of the Cooperative who has been convicted of a felony or a crime involving moral turpitude; no person shall be eligible to become or remain a trustee of the Cooperative who is employed by or financially interested in any business that competes with an entity in which the Cooperative owns a substantial interest, and no person shall be eligible to become or remain a trustee of the Cooperative who is an employee, a close relative of an incumbent trustee or of an employee of the Cooperative, or is not a member of the Cooperative in good standing (good standing meaning to have complied with all of the Membership Obligations described in Section 1.02 hereof) and has been receiving service from the cooperative at member's primary residence for not less than an uninterrupted period of one (1) year prior to the meeting of the Nominating Committee. Further, the member's primary residence must be located in the district for an uninterrupted period of not less than one (1) year prior to the meeting of the Nominating Committee, and if the member is elected to the Board of Trustees from said district, the member must maintain member's primary residence in the district throughout member's term of service. No person shall be eligible to become or remain a trustee of, or to hold any other position of trust in, the Cooperative who does not have the capacity to enter into legally binding contracts or is in any way employed by or substantially financially interested in a competing enterprise, or a business selling electric energy or supplies to the Cooperative, or a business substantially engaged in selling electrical appliances, equipment, fixtures or supplies primarily to members of

the Cooperative. Trustees accepting office shall be deemed to have agreed 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 close relative relationships, no incumbent trustee shall lose eligibility to remain a trustee or to be re-elected a trustee if, during their incumbency as a trustee, trustee becomes a close relative of another incumbent trustee or of a Cooperative employee because of a marriage or an adoption to which trustee was not a party. If it is discovered that a person became a trustee at a time when trustee had a close relative who was an employee or an incumbent trustee at the time of such trustee's election, the trustee shall no longer be eligible to hold office. If it is discovered that the Cooperative has employed a close relative of a trustee after the date of the trustee's election, the trustee shall remain in office and the employment of the employee shall be terminated.

Upon establishment of the fact that a nominee for trustee lacks eligibility under this section or as may be provided elsewhere in these Bylaws, it shall be the duty of the Board of Trustees to disqualify nominee. Upon the establishment of the fact that any person being considered for, or already holding, a trusteeship in the Cooperative lacks eligibility under this section, it shall be the duty of the Board of Trustees to withhold such position from such person, or to cause nominee to be removed there from as the case may be.

The office of a trustee shall automatically become vacant if trustee misses as many as three (3) regular meetings of the Board of Trustees during any twelve (12) consecutive such meetings, unless the remaining trustees resolve that (1) there was good cause for such absences and (2) such cause shall not likely result in such absences during the ensuing twelve (12) consecutive regular Board Meetings. With respect to trustees elected after the adoption of these Bylaws, it shall be the duty of the Board of Trustees to remove any trustee and declare trustee's office vacant if trustee fails to attend essential seminars, workshops, state, regional and national meetings without good cause shown or if the trustee does not demonstrate by their actions an understanding of and belief in cooperative principles and the cooperative way of doing business or if the trustee does not continue to support the continuity of the Cooperative. Each trustee shall be subject to a credit check with respect to their accounts with the Cooperative as of December 31 of each year. Any trustee found to have an unsatisfactory credit record shall be subject to removal from office by the remaining trustees. No employee or an employee's close relative will be eligible to serve as trustee for a minimum of five (5) years after the employee leaves the employment of the Cooperative. No trustee may become an employee of the Cooperative for a minimum of five (5) years after leaving the Board of Trustees. 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 of Trustees.

SECTION 4.03 Election. At each annual meeting of the members, trustees shall be elected by ballot by the members. Trustees shall be elected by a plurality of votes cast unless the members in advance of any balloting resolve that a majority of the votes cast shall be required to elect, and this Bylaw provision shall be drawn to the attention of members and explained to them prior to any balloting. Drawing by lot shall resolve, where necessary, any tie votes.

SECTION 4.04 Tenure. The terms of the trustees elected from Districts 1 and 2 expire at the annual meeting held in 1994. The terms of the trustees elected from Districts 3 and 4 expire in 1995. The terms of the trustees elected from District 5 and 6 expire at the annual meeting held in 1993. The term of all trustees elected has and shall continue to be three (3) 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 for any reason an election of trustees shall not be held at an annual meeting of the members duly fixed and called pursuant to these Bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special or the next annual meeting of the members. Failure of an election for a given year shall allow the incumbents whose trusteeships would have been voted on to hold over only until the next member meeting at which a quorum is present.

SECTION 4.05 Trustee Districts. The territory served by the Cooperative shall be divided into six (6) Trustee Districts. Each district shall be represented by one trustee receiving service from the Cooperative therein at trustee's primary residential abode. The six districts are described as follows:

District I - All that part of Covington and Crenshaw counties being in Townships 5 and 6, Range 14; Townships 5 and 6, Range 15; Townships 5, 6, and 7, Range 16; and the West half of Townships 5, 6, and 7, Range 17.

District II - All that part of Covington County West of Yellow River, and West of a center line through Townships 3 and 4, Range 17.

District III - All that part of Covington, Coffee, and Crenshaw counties being served by the Cooperative West of White Water Creek, and West of the paved highway running from Elba to Samson, and East of a center line running North and South through Townships 5, 6, and 7, Range 17.

District IV - All West of the Elba-Samson paved highway and East of the center line running North and South through Townships 3 and 4, Range 17.

District V - All territory served by the Cooperative East of White Water Creek and the paved highway running from Elba to Samson.

District VI - Area served by the Cooperative in which Samson, Alabama, is located.

Every year, the Board of Trustees, not less than ninety (90) days prior to the first date on which the annual member meeting may be scheduled pursuant to these Bylaws to be held, shall review the districts. If the Board determines that the boundaries or number 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 geographic location of districts the Board shall by resolution alter the geographical boundaries of the districts with the aim of arranging more equitable districting. The Board of Trustees shall cause notice of all such district boundary alterations to be given to members in writing not less than ten (10) days prior to the date on which the Committee on Nominations for the next annual member meeting shall first convene.

Effective with the date of the notice given to members of the District boundary alterations, such action by the Board of Trustees shall constitute an amendment to these Bylaws with respect to District Boundaries. The boundaries of such Districts may also be changed by amendment of these Bylaws by the members. Provided, 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 trustees at the annual meeting of the members first thereafter held; and provided further, that no such amendment by the Board shall become effective so as to extend an incumbent trustee's existing term beyond the time it would otherwise expire or unless trustee consents thereto in writing, to cause the vacancy of any trustee's office prior to the time their term would otherwise expire. Notwithstanding any of the provisions of this section, a violation of such districting provisions shall not invalidate or in any way affect or impair the validity of any corporate action taken by the Cooperative.

SECTION 4.06 Nominations. It shall be the duty of the Board of Trustees to appoint, not less than thirty (30) days nor more than one-hundred twenty (120) days before the date of a meeting of the members at which trustees are to be elected, a Committee on Nominations consisting of not less than two (2) members and not more than seven (7) members with not less than one (1) member from each district from which trustees are to be elected at the upcoming meeting of members.

No member of the Board of Trustees, nor employee, agent, officer, of the Cooperative, no known candidate for trustee, and no close relative or member of the same household thereof, may serve on such Committee. The Committee shall prepare and post at the principal office of the Cooperative at least seventy-five (75) days before the meeting, a list of nominations for trustees, arranged in groups according to the Districts in which the candidates reside. The Committee shall nominate at least one (1) candidate from each District from which trustees are to be elected at the upcoming meeting of members for each District for which the current trustee's term is expiring or is otherwise vacant. Any twenty-five (25) or more members from any District acting together, may make other nominations for trustee to represent the District by petition not less than sixty (60) days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted. The Secretary shall mail with the notice of the meeting or separately, but at least ten (10) days before the date of the meeting, a listing of the trustee positions to be filled and the names and address of the candidates grouped by Districts, specifying separately the nominations made by the Committee on Nominations and the nominations made by petition, if any. Notwithstanding anything contained in this section, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of trustees or the validity of any action taken by the Board of Trustees after the election of trustees. Nominations for trustee in any other manner, including nominations from the floor, shall not be allowed.

SECTION 4.07 Voting for Trustees. In the election of trustees, each member shall be entitled to vote in each election of a trustee.

SECTION 4.08 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 with the Secretary such charge(s) in writing together with a petition, signed by not less than ten percent (10%) of the total membership of the Cooperative, which calls for a special member meeting thereon and specifies the place, time and date thereof not less than thirty (30) days after the filing of such petition or which requests that the matter be acted upon at the subsequent annual members meeting if such meeting will be held no sooner than thirty (30) 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 charges and the name(s) of the trustee(s) against whom such charge(s) is(are) being made. The petition shall be signed by each member in the same name as he is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the 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 after they have been validly filed and at least twenty (20) days prior to the meeting of the members at which the charge(s) are to be considered, shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s), and shall be heard last; and the person(s) bringing the charge(s) shall have the same opportunity, but shall be heard first.

The question of the removal of such 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 not less than two-thirds (2/3) of those members present and voting. 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; 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 them shall have been presented during the meeting through oral statements, documents, or otherwise; and provided further, no trustee shall be so removable from office for the reason that trustee, 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 trustee opposed (1) a proposal to sell, lease-sell or otherwise dispose of 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, 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. A newly elected trustee shall be from the same Trustee District as was the trustee whose office he succeeds and shall serve out the unexpired portion of the removed trustee's term.

SECTION 4.09 Vacancies. Subject to the provisions in these Bylaws with respect to the filling of vacancies caused by the removal of trustees by the members, a vacancy occurring in the Board of Trustees shall be filled by the Board of Trustees. A trustee thus elected shall serve out the unexpired term of the trustee whose office was originally vacated and/or until their successor is elected and qualified; provided, such new trustee shall be from the same trustee district as was the trustee whose office was vacated.

SECTION 4.10 Expenses; Compensation. The Board of Trustees shall be reimbursed for expenses incurred by them in the performance of their duties, Trustees who are serving or have served the Cooperative shall only be compensated for the performance of their duties as is authorized in the statute under which the Cooperative is organized. Except in an emergency, Trustees shall not be employed by the Cooperative in any capacity involving compensation without prior approval by the members or by a committee appointed by the Board of Trustees consisting of one (1) member from each district and who shall not be a trustee, a close relative of a trustee or an employee of the Cooperative. A trustee or a close relative of a trustee may receive compensation for serving the Cooperative in an emergency only if the service by the trustee or close relative shall have been certified by resolution of the board as an emergency measure.

SECTION 4.11 Policies, Rules, Regulations, Rate Schedules and Contracts. The Board of Trustees shall have power to make, adopt, amend, abolish and promulgate such policies, rules, regulations, rate classifications, rate schedules, contracts, security deposits and any other type of deposits, payments or charges, including contributions in aid of construction, 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 4.12 Accounting System and Reports. The Board of Trustees shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, 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 submitted to the members at or prior to the following annual member meeting. The Board of Trustees may authorize special audits, complete or partial, at any time and for any specific period of time.

SECTION 4.13 "Close Relative" Defined. As used in these Bylaws, "close relative" means a person who, by blood or in law, including step, half, foster and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the principal.

ARTICLE V - MEETINGS OF THE BOARD OF TRUSTEES

SECTION 5.01 Regular Meetings. A regular meeting of the Board of Trustees shall be held, without notice, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual member meeting. A regular meeting of the Board of Trustees shall also be held monthly or such day and at such time and place within any of the counties served by the Cooperative as the Board of Trustees shall provide by resolution. Such regular monthly meeting 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, if a policy therefore is established by the Board, the chairman may change the day, time or place of a regular monthly meeting for a good cause.

SECTION 5.02 Special Meetings. A special meeting of the Board of Trustees may be called by the Board of Trustees, by the Chairman 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 hereinafter provided in Section 5.03. The board, the chairman, or the trustees calling the meeting shall fix the date, time and place for the meeting, which shall be held within any of the counties served by the Cooperative, unless all trustees consent to its being held in some other place. Special meetings, upon proper notice as otherwise provided in Section 5.03, may be held via telephone conference call, without regard to the actual location of the trustees at the time of such a telephone conference meeting, if all the trustees consent thereto provided, however, that the secretary shall reduce the actions taken by the trustees at a conference call meeting to writing and mail them to all the trustees present at the conference call meeting and the failure of any trustee to object to the accuracy of such minutes in writing within five (5) days from the date such minutes are mailed shall confirm the accuracy of such minutes.

SECTION 5.03 Notice of Trustees Meetings. Notice of the date, time, place (or telephone conference call) 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 trustee or those calling it 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 their address as it appears on the records of the Cooperative, with first class postage thereon prepaid and postmarked at least five (5) days prior to the meeting date. 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 ground that the meeting shall not have been lawfully called or convened.

SECTION 5.04 Quorum. The presence in person or by conference call 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 the 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 a chairman, vice chairman, secretary, treasurer and president, and such other officers as may from time to time be determined by the Board of Trustees. The offices of secretary and treasurer may be held by the same person.

SECTION 6.02 Election and Term of Office. The officers named in Section 6.01 other than the president shall be elected annually by and from the Board of Trustees 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 their 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 of Trustees. Any other officers may be elected by the board from among such persons and with such title, tenure, responsibilities and authorities as the Board of Trustees may from time to time deem advisable.

SECTION 6.03 Removal. Any officer, agent or employee elected or appointed by the Board of Trustees may be removed by the Board of Trustees whenever in its judgment the best interests of the Cooperative will thereby be served, subject to the provisions of any employment contract.

SECTION 6.04 Chairman. The chairman shall:

- (a) be the principal executive officer of the Board of Trustees and shall preside at all meetings of the Board of Trustees, and, unless determined otherwise by the Board of Trustees, at all meetings of the members;
- (b) sign, with the secretary, certificates of membership the issue of which shall have been authorized by resolution of the Board of Trustees, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Trustees to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Trustees 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 of Trustees from time to time.

SECTION 6.05 Vice Chairman. In the absence of the chairman, or in the event of their 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 the Vice Chairman by the Board

of Trustees.

SECTION 6.06 Secretary. The secretary shall:

- (a) keep, or cause to be kept, the minutes of meetings of the members and of the Board of Trustees 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; be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and to all documents the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these Bylaws or is required by law;
- (c) 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;
- (d) sign, with the Chairman, certificates of membership the issue of which shall have been authorized by resolution of the Board of Trustees;
- (e) have general charge of the books of the Cooperative in which a record of members is kept;
- (f) 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 members, and, at the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto upon request to any member; and 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 them by the Board of Trustees.

SECTION 6.07 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 duties incident to the office of treasurer and such other duties as from time to time may be assigned to them by the Board of Trustees.

SECTION 6.08 Delegation of Secretary's and Treasurer's Responsibilities. Notwithstanding the duties, responsibilities and authorities of the secretary and of the treasurer hereinabove provided in Section 6.06 and 6.07, the Board of Trustees 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 duties to one or more agents, other officers or employees of the Cooperative who are not trustees. 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 6.09 President. The Board of Trustees may appoint a president, who may be, but who shall not be required to be, a member of the Cooperative and who shall also be the Cooperative's chief executive officer and general manager. Such officer shall perform such duties as the Board of Trustees may from time to time require and shall have such authority as the Board of Trustees may from time to time vest in the President.

SECTION 6.10 Bonds. The Board of Trustees 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 of Trustees shall determine. The Board of Trustees 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 6.11 Compensation; Indemnification. The powers, duties and compensation of officers, agents and employees shall be fixed or a plan therefor approved by the Board of Trustees; provided the board may delegate the authority to the president to fix the powers, duties and compensation of all employees other than the president. The Cooperative shall fully indemnify and may purchase insurance to ensure such indemnification - all present and former Cooperative trustees, officers, including the president, and employees against liability and costs of defending against liability, including reasonable attorney's fees, to the fullest extent permissible by law, including, without limitation, Section 37-6-3(16) of the Code of Alabama of 1975, as amended, or any other provision of law similar thereto, as the same may from time to time be amended, repealed or supplemented.

SECTION 6.12 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.

ARTICLE VII - FINANCIAL TRANSACTIONS

SECTION 7.01 Contracts. Except as otherwise provided by law or these Bylaws, the Board of Trustees may authorize any Cooperative officer, agent or employee to enter into any contract or execute and deliver any instrument in the name of 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 to be determined by resolution of the Board of Trustees.

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 of Trustees may select.

SECTION 7.04 Fiscal Year. The Cooperative's fiscal year shall begin on the first day of the month of January of each year and end on the last day of the month of December following.

ARTICLE VIII - MEMBERSHIP CERTIFICATES

SECTION 8.01 Membership Certificates. Membership in the Cooperative may, if the Board of Trustees so resolves, be evidenced by a membership certificate, which shall be in such form and shall contain such provisions as shall be determined by the Board of Trustees, consistent with the Cooperative's Articles of Incorporation and its Bylaws. Such certificate, if authorized to be issued by the board, shall be signed by the chairman and by the secretary of the Cooperative, and the corporate seal shall be affixed thereto; provided, the seal and the signatures of the chairman and secretary

may be imprinted thereon by facsimile.

SECTION 8.02 Issue of Membership Certificates. No membership certificate shall be issued for less than the membership fee provided for in Section 1.03 of these Bylaws nor until such membership fee, any required service security deposits, facilities extension deposits, service connection fees, or contributions in aid of construction have been fully paid.

SECTION 8.03 Lost Certificate. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefor upon such uniform terms and indemnity to the Cooperative as the Board of Trustees may prescribe.

ARTICLE IX - NON-PROFIT OPERATION

SECTION 9.01 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. Members have no right to demand a cash refund of the patronage capital accounts created in Section 9.02. Members shall have no individual or separate interest in the property or assets of the Cooperative except as provided herein.

SECTION 9.02 Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital. The Cooperative will distribute credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to patron's capital account, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to patron's account provided, that individual notices of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how such patron may compute and determine for themselves the specific amount of capital so credited to patron and upon the request of a patron, the Cooperative shall notify the patron of the amount of capital so credited to their account. All such amounts credited to the capital account of any patron shall be treated as though they had been paid by the Cooperative to the patron in cash in pursuance of a legal obligation to do so in accordance with these bylaws and the patron had then returned to the Cooperative corresponding amounts for use by the Cooperative as a contribution to capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) used to fund current or future debt obligations, reserves for future construction or working capital or funds for education concerning the effective use of electric energy and other cooperative services and (c) to the extent not needed for that purpose, allocated to its patrons on a patronage basis. Any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided. If a member is a corporation, partnership, limited liability company, trust or other entity, capital credits and security deposits shall stay with the entity's premise which it owns or leases and if the premise is sold or the lease expires, the owners of the entity shall provide the Cooperative with satisfactory proof of the identity of the person or persons to receive such capital credits or security deposit.

Provided it would not violate any loan or mortgage covenants and the financial condition of the Cooperative will not be impaired thereby, the Board of Trustees shall determine the method, basis, priority and order of making retirements of capital credits, from time to time, for all amounts heretofore and hereafter furnished as capital; provided, the Board of Trustees shall have the power to adopt rules providing for the separate retirement of that portion ("power supply or other service or supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing power supply or any other service or supply to the Cooperative. Such rules shall (a) establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of such portion of capital credited to the Cooperative patrons, (c) provide for appropriate notifications to patrons with respect to such portions of capital credit to their accounts, and (d) preclude a general retirement of such portions of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year. Members shall have no legal or property right to demand a cash distribution of patronage capital at any time.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or part of such patron's premises served by the Cooperative, unless the Board of Trustees, acting under policies of general application, shall determine otherwise.

Notwithstanding, any other provisions of these Bylaws, the Board of Trustees, at its discretion, shall have the power at any time upon the death of any patron who was a natural person, if the legal representatives of member's estate shall request in writing that the capital credited to such patron be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire such capital immediately upon such terms and conditions as the Board of Trustees, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby. Likewise, the Board of Trustees in its discretion, shall have the power at any time to retire capital credits, in whole or in part, of a former member whose membership has terminated on a discounted basis upon such terms and conditions as the Board of Trustees, acting under policies of general application, may determine, provided that no capital credits of a former member who has been a member in the preceding twelve (12) months shall be retired and provided further, however, that the financial condition of the Cooperative will not be impaired thereby. The Board of Trustees, in its discretion, may terminate any such plan or program to retire the capital credits of former members at any time.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, together with interest thereon at the Alabama legal rate on judgments in effect when such amount became overdue, compounded annually.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

SECTION 9.03 Patronage Refunds In Connection with Furnishing Other Services. In the event the Cooperative shall engage in the business of furnishing goods and services other than electric energy, all amounts received and receivable there from which are in excess of costs and expenses properly chargeable thereto shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons from whom such amounts were obtained at such time and in such order of priority as the Board of Trustees shall determine.

ARTICLE X - 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 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 ground 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 their objection.

ARTICLE XI - DISPOSITION AND PLEDGING OF PROPERTY: DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

SECTION 11.01 Disposition and Pledging of Property.

(a) Consistently with Alabama Code Section 37-6-21 and Subsection 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 (1) to borrow monies from any source and in such amounts as the board may from time to time determine or (2) to mortgage or otherwise pledge or encumber any or all of the Cooperative's properties and assets as security therefor. The board may also, without prior approval of the members, dispose of Cooperative properties and assets that do not constitute a substantial portion of the Cooperative's property 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" means ten percent (10%) or more of the dollar value of the Cooperative's total assets as reflected on its books at the time of the transaction.

- (b) Not inconsistently with the foregoing Subsection (a) and any other applicable provisions of law or of these Bylaws, no sale, lease, lease-sale, exchange, conveyance, transfer or other disposition of all or a substantial portion of the Cooperative's properties and assets shall be authorized except 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 or which 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 sixty (60) days after their appointment each appraiser shall render their 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 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 appraisals, 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 it 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 sixty (60) 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.
 - (3) If, after such date, the Board of Trustees determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to or developed by it, 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's 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 to 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 11.01 shall not apply to a Board recommended proposal to merge or consolidate the Cooperative with one or more other electric cooperatives.

- (c) 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 therefor, 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.

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 11.02 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, to the extent practicable as determined by the Board of Trustees, not inconsistently with the provisions of the third paragraph of Section 9.02 of these Bylaws, 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, on such other basis as the Board of Trustees may reasonably 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, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from federal income taxation.

ARTICLE XII - RULES OF ORDER

Parliamentary procedure at all meetings of the members, of the Board of Trustees, of any committee provided for in these Bylaws and of any other committee of the members or Board of Trustees 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 XIII - BYLAW AMENDMENTS

SECTION 13.01 Power to Amend. The Cooperative's Bylaws may be changed (adopted, amended or repealed) by the members; provided, both the Board of Trustees and 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 only if (1) a copy or an accurate summary explanation or the proposed change is contained in or with the notice of the member meeting at which it is to be acted upon; and (2) it is sponsored by the Board of Trustees. The Board of Trustees 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 the member meeting at which it is being considered if the amendment is germane thereto.

SECTION 13.03 Effective Date. The Bylaws of the Cooperative as adopted July 29, 1993 and as amended April 4, 2019.

ARTICLE XIV - USE OF PRONOUNS

Whenever used herein, any pronoun shall be deemed to include both singular and plural and all genders wherever appropriate.