

**BYLAWS**  
of  
**CHOPTANK ELECTRIC COOPERATIVE, INC.**  
As amended through April 22, 2014

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

**Article I  
GENERAL PROVISIONS**

Section 1.01. **INTERPRETATION.** Within these bylaws of Choptank Electric Cooperative, Inc. ("Cooperative"), as currently existing or as later amended, ("Bylaws") except as otherwise provided and subject to the context requiring otherwise:

- a. Words and phrases have their customary and ordinary meaning;
- b. The singular use of a word includes the plural use and the plural use of a word includes the singular use;
- c. The masculine use of a word includes the feminine and neutral uses, the feminine use of a word includes the masculine and neutral uses, and the neutral use of a word includes the masculine and feminine uses;
- d. The present tense of a word includes the past and future tenses, and the future tense of a word includes the present tense;
- e. The words "shall" and "must" are words of obligation, with "shall" meaning "has a duty to" and "must" meaning "is required to;"
- f. The word "may" is a word of discretion meaning "has discretion to," "is permitted to," "is authorized to," or "is entitled to;"
- g. The words "may ... only" are words of limited discretion and prohibition;
- h. The words "shall not," "must not," and "may not" are words of prohibition, with "shall not" meaning "has a duty not to," "must not" meaning "is required not to," and "may not" meaning "has no discretion to," "is not permitted to," "is not authorized to," and "is not entitled to;"
- i. An exception to a word of obligation is a word of discretion and an exception to a word of discretion is a word of prohibition;
- j. The words "except as otherwise provided," "subject to," and similar words are words of limitation and exception;
- k. The words "include," "includes," and "including" mean "include without limitation," "includes without limitation," and "including without limitation;"
- l. The word "or" is inclusive, with "A or B" meaning "A or B or both;"
- m. The word "Individual" means a "natural person" or "human being;"
- n. The title of a section of these Bylaws ("Section") shall not be a substantive part of that Section, and any heading or title of a subsection of these Bylaws ("Subsection") shall not be a substantive part of that Subsection;
- o. The word "Article" means an article of these Bylaws and
- p. The words "Electronic" and "Electronically" shall mean relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, and/or similar capabilities.

Section 1.02. **DEFINED TERMS.**

- a. These Bylaws define certain words, phrases and terms ("Defined Terms"). In general, Defined Terms are: (1) defined in a full sentence or part of a sentence; (2) capitalized and enclosed within quotation marks when defined; (3) enclosed within parenthesis and quotation marks when defined in part of a sentence; and (4) capitalized when otherwise used in these Bylaws. The same definition applies to a Defined Term regardless of whether it is used in present or past tense, or in the singular or plural form.
- b. Each of the following Defined Terms is defined in the Bylaw whose Section number is noted immediately to the right of the Defined Term:

<u>Defined Term</u>	<u>Sec. #</u>	<u>Defined Term</u>	<u>Sec. #</u>
Affiliate Capital Credits	7.05	Corporate Seal	10.01
Affiliate Entity	7.05	Deceased Spouse	7.07
AIS	2.01	Decedent	7.07
Amended	10.09	Defined Terms	1.02
Amendment	10.09	Director	2.09
Annual Board Meeting	5.01	Director Candidate	4.05
Annual Member Meeting	3.01	Director Districts	4.03
Appointee	6.03	Director Nominee	4.05
Appointment	6.03	Director Qualifications	3.14
Article	1.01	Director Quorum	5.05
Articles	1.03	Director Written Consent	5.07
Assets	2.11	Dissolution	8.04
Board	2.04	Election Issues	3.14
Board Committees	5.08	Electricity Service	7.02
Board Meeting	5.04	Electricity Service Account	2.01
Board Officers	5.06	Electronic or Electronically	1.01
Board Policies	4.02	Electronic Transmission	3.04
Bylaws	1.01	Employee	3.13
Bylaw Provision	9.04	Entity	5.09
C&E Committee	3.14	Fiscal Year	10.02
Capital	7.04	Good Standing	2.09
Capital Credits	7.05	Governing Documents	9.01
Capital Credits Account	9.01	Indemnification Code Section	10.07
Cause	4.10	Initial Transfer Proposal	8.02
Chairman	6.04	Joint Member	2.01
Close Relative	3.14	Joint Membership	2.02
Consolidation	8.03	Law	1.03
Cooperative	1.01	Mail	3.04
Cooperative Service	7.02	Maryland Act	7.01
Cooperative Service Account	2.01	Maryland Code	3.04
Cooperative Tariff	2.07	Member	2.01

<u>Defined Term</u>	<u>Sec. #</u>	<u>Defined Term</u>	<u>Sec. #</u>
Member Challenge	3.14	Patronage	7.04
Member Committees	5.08	Person	2.01
Member Duties	2.09	President & CEO	6.09
Member Meeting	3.01	Proposed Transfer	8.02
Member Meeting List	3.06	Protected Record	2.10
Member Voting Document	3.13	Reasonable Reserves	7.08
Membership	2.01	Record Date	3.05
Membership Certificate	2.04	Resignation or Refusal	2.01
Merger	8.03	Secretary	6.06
Monthly Board Meeting	5.01	Section	1.01
New Entity	8.03	Service Territory	7.01
Nominating Petition	4.05	Special Board Meeting	5.02
Non-Member Patron	7.03	Special Member Meeting	3.01
Non-Operating Earnings	7.05	Subsection	1.01
Non-Operating Loss	7.05	Substantial Portion	8.02
Office	6.02	Supply	7.02
Officers	6.01	Terminated Entity	7.07
Operating Earnings	7.05	Transfer	8.02
Operating Loss	7.05	Treasurer	6.07
Other Cooperative Service	7.02	Use	7.02
Patron	7.03	Vice Chairman	6.05

Section 1.03. **LAW AND ARTICLES.** These Bylaws are subject to the Law and the Articles of Conversion of the Cooperative, as amended from time to time ("Articles"). If, and to the extent that, a Bylaw conflicts with the Law or the Articles, then the Law or the Articles control. The term "Law" includes the following applicable: (a) local, state, and federal constitutions, statutes, ordinances, regulations, holdings, rulings, orders, and similar documents or actions, whether legislative, judicial, quasi-judicial, administrative or executive; and (b) legally binding contracts enforceable by or against the Cooperative, including legally binding contracts between the Cooperative and one or more Patrons.

1.04. **COMPUTATION OF TIME AND DEADLINES.**

- a. Any requirement by these Bylaws that a certain act must occur at least a specified number of days before a subsequent act, event or date, every calendar day shall be counted except that the deadline date on or before which the act must occur shall not be counted and the date of the subsequent act, event or date from which the deadline date is determined shall not be counted, so that there is at least the specified number of full calendar days between the date of the required act and the subsequent act, event or date.
- b. Any requirement by these Bylaws that a certain act must occur not more than a specified number of days before a subsequent act, event or date, every calendar day shall be counted, starting with and counting each successive day backward

in time from the first day before the subsequent act, event or date.

## **Article II MEMBERS**

### **Section 2.01. MEMBERSHIP.**

- a. ***Requirements.*** Except as otherwise provided by these Bylaws, an Individual or legally existing Entity with the capacity to enter into a legally binding contract, (collectively “Person”) shall become and remain a member of the Cooperative (“Member”):
- 1) Upon his having provided the Cooperative with such information relating to himself and his requested Electricity Service(s), such access to the location where such Electricity Service(s) are to be Supplied, and such credit information and security for payment, as the Cooperative may reasonably require as conditions of Supplying his requested Electricity Service(s); and
  - 2) Upon the opening or revival on the automated information system of the Cooperative (the “AIS”) of one or more accounts in his name for his Use of any Electricity Service to be Supplied by the Cooperative (“Electricity Service Accounts”); and for so long thereafter as the Cooperative shall continuously Supply and he shall continuously Use any Electricity Service under one or any combination of such Electricity Service Accounts in his name on the AIS; until he shall have caused or permitted the Use and/or Supply of Electricity Service under all such Electricity Service Accounts in his name to be terminated, there is no Electricity Service being Supplied to or Used by him, and a final bill has been entered on the AIS relating to each such Electricity Service Account in his name.
- b. ***Consent to Membership.*** A Person who has satisfied all of the requirements and attained the status of a Member in the Cooperative (“Membership”) according to Subsection a (Requirements) of this Section shall be deemed to have applied for and consented to be a Member, subject to the terms and conditions of these Bylaws, unless he has refused or resigned from Membership in accordance with Subsection d (Refusal or Resignation of Membership) of this Section.
- c. ***Characteristics of Membership:***
- 1) No Person shall be the holder of more than one (1) Membership at the same time.
  - 2) Although one (1) Member may be associated with multiple Cooperative Services and multiple accounts for Cooperative Services (“Cooperative

Service Accounts”), no more than one (1) Member shall be associated with any one (1) Cooperative Service or Cooperative Service Account.

- 3) A Member shall be entitled to vote in elections by Members, in accordance with and subject to the provisions of Article III (Meetings of Members).
- 4) A Member shall be entitled to be allocated Capital Credits, in accordance with and subject to the provisions of Article VII (Cooperative Operation).
- 5) No Membership, or any other right or interest in the Cooperative, shall be transferable except as provided in these Bylaws.

d. ***Refusal or Resignation of Membership.***

- 1) Any Person who is or is about to become a Patron may resign from or refuse his Membership by sending his written resignation from and/or refusal of his Membership, in form and substance acceptable to the Cooperative, acknowledging that by his resignation or refusal of Membership that he is thereby relinquishing all of his rights to vote on any matter relating to the Cooperative, signed by him and notarized, and including a list of all of his Electricity Service Account numbers to which his resignation and/or refusal is intended to apply (hereafter “Resignation or Refusal”), and send it addressed to the Secretary at the headquarters office of the Cooperative. Any such Resignation or Refusal received by the Secretary or Assistant Secretary shall be effective upon the date it is accepted by the Secretary or Assistant Secretary of the Cooperative as a valid Resignation or Refusal.
- 2) After receiving and accepting such a Resignation or Refusal, the Secretary or Assistant Secretary shall:
  - a) Cause the name of the Person submitting such Resignation or Refusal to be removed from the list of current Members in the AIS; and
  - b) Cause to be sent to the Person who submitted such accepted Resignation or Refusal an acknowledgement of receipt and acceptance thereof, and a notice that that by resigning from or refusing Membership he has given up his right to vote in Cooperative elections unless and until he shall qualify for Membership and withdraw his Resignation or Refusal in the future.

e. ***Joint Members.*** Throughout these Bylaws, unless the context in which the following terms are used indicates otherwise, the term “Member” shall include a

joint member of the Cooperative (“Joint Member”), and the term “Membership” shall include the term “Joint Membership.”

**Section 2.02. JOINT MEMBERSHIP.**

- a. Any two (2) or more Persons (including husband and wife) may become parties to one (1) Membership, which shall constitute a joint membership in the Cooperative (“Joint Membership”), and thereby such Persons shall collectively be a Joint Member, upon those Persons having:
  - 1) Satisfied the requirements set forth in Section 2.01, Subsection a, hereof relative to that Joint Membership; and
  - 2) Furnished to the Cooperative, relative to each Person who is a party to that Joint Membership, his identification, contact information, and other information as the Cooperative may reasonably require for purposes related to Joint Membership or Cooperative Services Supplied thereto.
- b. A Joint Membership shall be treated, and have the rights, liabilities and duties of one (1) Membership. Any provision of these Bylaws relating to the rights, liabilities and duties of a Member shall apply equally to a Joint Membership, and unless otherwise stated shall apply on a pro rata basis to the Persons who are parties to a Joint Membership.
- c. Without limiting the generality of the foregoing, the effect of the hereinafter-specified actions by or in respect to the holders of a Joint Membership shall be as follows:
  - 1) A waiver of notice signed by any one (1) of the parties to a Joint Membership shall constitute a joint waiver by all parties to that Joint Membership.
  - 2) The presence at a meeting of any party to a Joint Membership shall be regarded as the presence of one (1) Member and constitute a joint waiver of notice of the meeting by all parties to that Joint Membership.
  - 3) A Joint Member shall be entitled and be limited to one (1) vote on any one (1) issue put to a vote of the Members, as with any other Member.
  - 4) Withdrawal of any of the parties to a Joint Membership shall terminate the Joint Membership.

**Section 2.03. MEMBERSHIP TYPES.**

- a. There shall be two (2) types of Membership in the Cooperative, based on the type of Electricity Service Supplied to the Member:



- 1) Type I: Members receiving both electricity distribution service and electricity supply service.
  - 2) Type II: Members receiving electricity distribution service only.
- b. There shall be no distinction in the rights and privileges of Members based on the Membership type.

**Section 2.04. MEMBERSHIP CERTIFICATES.**

- a. Membership in the Cooperative may be evidenced by a Membership certificate issued by the Cooperative to a Member (“Membership Certificate”), which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors of the Cooperative (“Board”), and which shall be sent to the Member.
- b. In case a Membership Certificate is lost, destroyed or mutilated, a replacement Membership Certificate may be issued therefor upon such uniform terms and indemnity to the Cooperative as the Board may prescribe.

**Section 2.05. CONVERSION OF MEMBERSHIP.**

- a. A Membership of an Individual may be converted to a Joint Membership upon the written request of the holder and his spouse, provided that they satisfy the requirements of Joint Membership. The outstanding Membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed Membership status.
- b. In the case of a married couple who are the sole parties to a Joint Membership, upon the death of either spouse, such Joint Membership shall be terminated upon notification and a new Membership will automatically be established in the name of the survivor. Upon compliance with this Subsection, the closed account would be eligible for retirement of capital credits in accordance with current policy on payment of capital credits to the estates of deceased Members.
- c. Except as provided in Subsection b of this Section, the death, withdrawal or other removal of one or more of the parties to a Joint Membership shall constitute dissolution of that Joint Membership and a new Membership, joint or otherwise, shall be established in order to continue Cooperative Service(s) as a Member. Memberships closed under these circumstances shall not be eligible for early retirement of capital credits.

**Section 2.06. MEMBERSHIP AND SERVICE CONNECTION FEES.** No fee shall be charged for the privileges of Membership; however each Member shall pay such charges as applicable at the time of connection to receive Cooperative Services.

Section 2.07 **SUPPLY OF COOPERATIVE SERVICES.**

- a. **Supply.** The Cooperative shall attempt to Supply Cooperative Services to Members in a reasonable manner under existing circumstances. The Cooperative, however, does not insure, guarantee, or warrant that it will supply adequate, continuous, or non-fluctuating Cooperative Services in every circumstance. This Subsection is not intended to alter the duties and responsibilities of the Cooperative, as an electric utility, owed to the Members or any other Persons to whom the Cooperative Supplies Cooperative Services, as those duties and responsibilities presently exist under current applicable law, or as such law may change from time to time.
- b. **Terms and Pricing.** The Cooperative shall Supply Cooperative Services according to such terms, conditions, rates, charges and tariffs of the Cooperative, as are from time to time: (1) fixed by the Board; and (2) approved by such governmental authority or authorities as regulate the Cooperative Services, if any (collectively “Cooperative Tariff”).

Section 2.08. **USE OF COOPERATIVE SERVICES.** Except as otherwise provided by Law:

- a. **Payment for Cooperative Services.** A Member shall timely pay in full to the Cooperative, as and when due and payable according to the Cooperative Tariff, the undisputed amount(s) of each bill to that Member from the Cooperative for Cooperative Services. Under this Subsection in order for a Patron to dispute a bill to him from the Cooperative he must present the Cooperative with evidence of the material facts in support of his dispute with the bill that furnishes some reasonable basis for belief by reasonable persons.
- b. **Compliance With Cooperative Procedures.** A Member shall comply with reasonable procedures required by the Cooperative regarding the Supply of a Cooperative Service to that Member.

Section 2.09. **DUTIES OF MEMBERS.**

- a. Each Member shall have the following duties (collectively the “Member Duties”) to:
  - 1) Continuously satisfy all requirements for Membership;
  - 2) Provide to and maintain with the Cooperative his current mailing address, telephone number, and email address, if any;
  - 3) Comply with all Member requirements described in Section 2.08 (Use Of Cooperative Services);

- 4) Without any cost to or payment by the Cooperative, grant and convey to the Cooperative all reasonably requested easements and rights-of-way on, over and/or under the land of the Member to enable the Cooperative to Supply requested Cooperative Service to that Member;
  - 5) Not engage in any: (a) unlawful taking or use of Cooperative property or Cooperative Service; or (b) intentional tampering or interference with, or damage to, property of the Cooperative;
  - 6) Indemnify the Cooperative for, and hold the Cooperative harmless from, any expenses, costs, liabilities, or damages, including reasonable attorney fees and legal expenses, incurred by the Cooperative, or by any member of the Board (“Director”), Officer, Employee, agent, representative, or contractor of the Cooperative, because of any property damage, personal injury, or death resulting from the Member’s negligence or failure to comply with the Governing Documents applicable to Members; and
  - 7) Comply with all Governing Documents published to the Members on the Cooperative’s website or otherwise.
- b. Each Member: (1) is a vital and integral part of the Cooperative; (2) is united in an interdependent relationship with all other Members in the Cooperative; and (3) contributes to the successful operation of the Cooperative by complying with each of the Member Duties.
- c. A Member is in “Good Standing” if he has not at any time within the immediate past two (2) years caused or permitted an Electricity Service in his name to be terminated or refused by the Cooperative as permitted by Law for failure of that Member to perform or satisfy any of the Member Duties.

**Section 2.10. PROTECTED MEMBER INFORMATION.**

- a. The Cooperative shall maintain such Electronic or paper record(s) of the names of the Members and other Patrons, which record(s) may be formatted to permit the Cooperative to organize, re-organize and secure such information as may be required or desirable for the operation or governance of the Cooperative. Any such record or document containing the name of one (1) or more Members, regardless of whether such record contains any information specifically relating to such Member(s) other than their name(s), including but not limited to any Member Meeting List, shall be the type of record protected by this Section (hereafter “Protected Record”).
- b. Except as otherwise provided by applicable law, these Bylaws or the Board, no Cooperative Director, Cooperative officer, C&E Committee member, Cooperative employee, or the Cooperative’s attorney, except as required by the

respective duties for the Cooperative of the said Cooperative Director, Cooperative officer, C&E Committee member, Cooperative employee, and the Cooperative's attorney, and no Member or any other Person, shall have access to, possess, control, inspect, copy, receive, or distribute all or any part of any Protected Record.

- c. Upon ten (10) business days' prior written notice or request by a Member, and if, and to the extent that the Member's request is made in good faith, for a proper purpose directly related to a Cooperative function or purpose, describing with reasonable particularity the Member's purpose for inspecting or copying a Protected Record, and how the Protected Record is directly connected with the Member's stated purpose, if the request is reasonable, as determined by the Cooperative, and upon a Member paying the Cooperative a reasonable charge, determined by the Cooperative, covering the Cooperative's labor and material cost of preparing, producing and/or copying the Protected Record, at a reasonable time and location and with reasonable conditions, all as specified by the Cooperative:
  - 1) A Member may inspect and copy the names and addresses included in the Protected Record; or
  - 2) The Cooperative shall provide to the Member a copy of the names, addresses and other information included in the Protected Record relative to the purpose and basis for approval of the request for information.
- d. A Protected Record and the information therein shall not be inspected or copied for any purpose unrelated to the Member's interest as a Member, used to solicit money or property, used for any commercial purpose, or sold to or purchased by any Person.
- e. Except as otherwise provided by applicable law, these Bylaws or the Board, the Cooperative shall not sell, transfer, disclose, distribute, or otherwise dispose of without shredding, all or part of any Protected Record.

**Section 2.11. PROPERTY INTEREST AND MEMBERS.** Upon approval of Dissolution in accordance with Section 8.04, and after (a) all debts and liabilities of the Cooperative shall have been paid, and (b) all Capital furnished through Patronage shall have been retired as provided in these Bylaws, the remaining assets of the Cooperative (collectively "Assets") shall be liquidated and the proceeds therefrom shall be distributed among the Members and former Members in the proportion which the aggregate Patronage of each bears to the total Patronage of all Members and former Members during the ten (10) years, or such shorter period of time as may be required or permitted by Law, next preceding the date of filing of the certificate of Dissolution, or the then longest existing cycle for payment of Capital Credits, whichever is greater.

**Section 2.12. NON-LIABILITY FOR DEBTS OF THE COOPERATIVE.** The private 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 III MEETINGS OF MEMBERS**

Section 3.01. **MEMBER ACTION WITHOUT A MEMBER MEETING.** Except as otherwise provided by Law or the Governing Documents, Members may not take any action relating to the Cooperative except at an annual meeting of the Members (“Annual Member Meeting”) or at a special meeting of the Members (“Special Member Meeting”), either or both of which may be referred to as “Member Meeting.”

Section 3.02. **ANNUAL MEETINGS.** An Annual Member Meeting shall be held each year on a date and at such a time and place within a county served by the Cooperative, as selected by the Board and which shall be designated in the notice of the Annual Member Meeting, for the purpose of electing Directors, passing upon reports for the previous fiscal year, and transacting such other business as may come before that meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the Annual Member Meeting. Failure to hold the Annual Member Meeting at the designated time shall not cause a forfeiture or dissolution of the Cooperative.

Section 3.03. **SPECIAL MEETINGS.** A Special Member Meeting may be called by: (a) the Chairman, (b) resolution passed by a majority of the Board, or (c) written request signed by at least ten percent (10%) of all the Members; and it shall thereupon be the duty of the C&E Committee to cause notice of such meeting to be given as hereafter provided. A Special Member Meeting may be held at any 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 Member Meeting. The agenda of the meeting shall be limited to the items set forth in the notice of the meeting.

Section 3.04. **NOTICE OF MEMBER MEETINGS.**

- a. The C&E Committee shall give notice, approved by the Secretary or Assistant Secretary of the Cooperative, of each Member Meeting, stating the place, day and hour of the meeting, and in case of a Special Member Meeting the purpose for which the meeting is called, shall be properly addressed and sent, not less than ten (10) and not more than ninety (90) days before the date of the meeting, either by first class mail deposited with the United States Postal Service with postage prepaid (“Mail”) or by electronic transmission as defined by the Maryland Annotated Code (“Maryland Code”), Corporations Article, § 1-101 (“Electronic Transmission”), to each Member.
- b. A notice of a Member Meeting, required to be given pursuant to Subsection a of this Section, shall include a copy of any ballot required by Section 3.12 (Ballots).
- c. Delivery of Notice. For purposes of this Section, notice is given to a Member if:

- 1) In writing personally delivered to that Member;
- 2) In writing sent by Mail to a Member, such notice shall be deemed to be delivered to that Member when deposited in the Mail, addressed to that Member at the address as it appears for that Member for billing purposes on the records of the Cooperative, with postage thereon prepaid; or
- 3) Sent by Electronic Transmission when initiated to a Member, addressed to that Member at the Electronic address for that Member as it appears on the records of the Cooperative.
  - a) Notice to a Member given by Electronic Transmission shall be considered ineffective if:
    - (1) The Cooperative is unable to deliver two consecutive notices by Electronic Transmission to that Member; and
    - (2) The inability to deliver the notices by Electronic Transmission to that Member becomes known to the chairman of the C&E Committee or other agent of the Cooperative responsible for giving such notice.
  - b) If the Cooperative has received a written and signed request from a Member that notice not be sent by Electronic Transmission, the Cooperative may not thereafter provide notice to that Member by Electronic Transmission unless such request is later rescinded by a signed writing by that Member delivered to the Cooperative.
- d. Evidence of Notice Given. An affidavit by a member of the C&E Committee or other agent of the Cooperative that notice has been given, describing the manner in which notice was given, shall in the absence of actual fraud be prima facie evidence of the facts stated in the affidavit.
- e. Waiver of Notice:
  - 1) A Person entitled to notice of a Member Meeting may waive notice in writing or by Electronic Transmission either before or after the meeting.
  - 2) If a Person entitled to notice of a meeting attends the meeting, the person's presence shall constitute a waiver of notice of the meeting, unless the person participates in the meeting solely to object to the transaction of any business because the meeting has not been legally called or convened.
  - 3) If a Person, who is authorized to vote on behalf of a Member entitled to

notice of a Member Meeting, votes on behalf of that Member in any manner permitted by these Bylaws on any matter submitted to a vote of the Members at a Member Meeting, then that Member's vote shall constitute a waiver by that Member of notice of that Member Meeting.

**Section 3.05. RECORD DATE.**

- a. A "Record Date" is the date and time for determining the total number of Members, and the identity of each Member, eligible to vote.
- b. The date and time of the Record Date shall be fixed as follows:
  - 1) For an Annual Member Meeting, the Record Date shall be at the normal time for the close of business at the Cooperative headquarters on the one hundred and sixty-fifth (165<sup>th</sup>) day before the date of that Annual Member Meeting, but in the event that one hundred and sixty-fifth (165<sup>th</sup>) day is not a normally scheduled business day at the Cooperative headquarters, then the Record Date shall at the normal time for the close of business on the next preceding normally scheduled business day at the Cooperative headquarters.
  - 2) Except as hereafter provided to the contrary, for a Special Member Meeting, a date and time as determined by the Board not more than sixty (60) and not less than ten (10) days before the date of the Special Member Meeting to which the Record Date applies.
- c. The Record Date for determining the Members entitled to notice of, or to vote at, a Member Meeting is effective for a Member Meeting adjourned to a date not more than one hundred twenty (120) days after the original Member Meeting date.

**Section 3.06. MEMBER MEETING LIST.** For each Member Meeting, the Cooperative shall prepare and maintain a written or Electronic list of Members as of the Record Date ("Member Meeting List"), including for each Member the Member's name, address, Member number, the Electric Service Account numbers in his name, and any other information reasonably necessary to conduct or facilitate the procedures of a vote or election by the Members.

**Section 3.07. QUORUM.**

- a. In case the total number of Members shall exceed one thousand (1,000), then fifty (50) Members, present in person, shall constitute a quorum.
- b. If less than a quorum is present at any meeting, a majority of those present may adjourn the meeting from time to time without further notice.
- c. The minutes of each Member Meeting shall contain the list of the Members

present in person.

Section 3.08. **ORDER OF BUSINESS.** The Board shall determine the agenda and order of business for Member Meetings.

Section 3.09. **CONDUCT OF MEETING.** Unless otherwise specified in these Bylaws, Member Meetings shall be conducted according to Roberts Rules of Order or such other generally accepted rules of order as the Board shall approve.

Section 3.10. **MOTIONS.** A main motion, or any other motion which if passed may affect the future of the Cooperative or a substantial number of the Members, shall not be voted on at the same Member Meeting at which that motion is made, and such motion shall be tabled until the next following Member Meeting at least one hundred sixty-five (165) days after that motion is made, unless:

- a. The motion has been submitted to the Secretary of the Cooperative and to the C&E Committee in writing at least one hundred sixty-five (165) days prior to the date of the Member Meeting at which the motion is to be voted on; or
- b. The motion has been recommended by the Board.

Section 3.11. **MEMBER VOTING.**

- a. If a Member presents identification or proof of Membership as reasonably required by the C&E Committee, and if the Member is a Member on the Record Date, then that Member shall be qualified and entitled to vote in matters submitted to a vote of the Members.
- b. Each Member qualified and entitled to vote shall be entitled to one (1) vote on each question or matter being submitted to a vote of the Members. Cumulative voting is not permitted.
- c. Voting by a Member shall be in accordance with rules and procedures of the C&E Committee, on a ballot form provided by the C&E Committee, timely received by the C&E Committee from the Member as follows:
  - 1) In person from the Member at the Member Meeting at which the matters on the ballot are to be voted on and decided;
  - 2) By Mail, signed by the voting Member, timely received from the Member by the C&E Committee or its representative at the headquarters office of the Cooperative, before 4:30 p.m. local time, on the last business day before the Member Meeting at which the election will be held; or
  - 3) By Electronic Transmission, received from the Member by the C&E



Committee or its representative at the headquarters office of the Cooperative, before 4:30 p.m. local time, on the last business day before the Member Meeting at which the election will be held, in accordance with such policies and procedures as may be adopted from time to time by the Board to promote the orderly, secure and accurate voting and tabulation of ballots sent and received by Electronic Transmission, and sent from the same Electronic address to which the ballot was sent to the Member organization by the Cooperative.

- d. Voting by a Member organization shall be permitted:
  - 1) By ballot, on a form provided by the Cooperative to the Member organization; and
  - 2) Cast by the authorized Individual in any manner as described in Subsection c of this Section.
- e. Each question or matter submitted to a vote of the Members shall be decided by a majority of the Members voting thereon unless otherwise provided by the Governing Documents.

#### Section 3.12. **BALLOTS.**

- a. Prior to each Member Meeting at which a vote by the Members will occur, the C&E Committee shall prepare a paper and Electronic form ballot, cause a sufficient number thereof to be printed, and cause said ballots to be timely distributed to the Members by Mail and Electronic Transmission, with the notice of such Member Meeting.
- b. A ballot shall:
  - 1) To the extent known at the time the ballot is composed, state each matter known to be qualified for submission to a vote of the Members at such Member Meeting, including:
    - a) The slate of Director Candidates running for election by Director District; and
    - b) The language of each motion, resolution or other matter, or a reference to a document furnished with the notice to Members of the meeting at which the vote will occur, stating such language;
  - 2) State the date, time and place of the Member Meeting at which Members are scheduled to vote or act on the matter(s);
  - 3) Provide an opportunity to vote for each Director position that is open for

election, and to vote for or against, or to abstain from voting on, each motion or matter being voted on by the Members;

- 4) Instruct the Member how to complete and return the ballot;
  - 5) State the date and time by which the C&E Committee must receive the completed ballot, and the address to be used to return ballots by Mail and Electronic Transmission; and
  - 6) Require from Persons casting ballots such information and/or take such other reasonable precautions to deter unauthorized and fraudulent voting.
- c. The failure of any Member to receive a ballot shall not invalidate any such motion, resolution or ballot, and shall not invalidate any election or other action which may be taken by Members at any such Member Meeting.
- d. Counting Ballots.
- 1) The mere presence of a Member at a Member Meeting shall not invalidate a ballot properly cast by that same Member for that same Member Meeting and properly received by any permitted means by the C&E Committee.
  - 2) Except as stated above in this Subsection d, in the event that multiple ballots are properly cast by or on behalf of the same Member for the same Member Meeting and properly received by the C&E Committee, only the first ballot to be properly cast by or on behalf of the same Member for the same Member Meeting and properly received and validated by the C&E Committee shall be counted in the results of the election, and all other ballots cast by or on behalf of the same Member for the same Member Meeting shall be automatically invalidated and shall not counted in the results of the election.

**Section 3.13. ACCEPTING AND REJECTING MEMBER VOTING DOCUMENTS.** A consent, ballot, waiver of notice of a Member Meeting, or other document purporting to relate to the rights of a Member relating to a Member Meeting or a vote of the Members, and which has been executed, presented and/or submitted by or on behalf of a Member to gain admission to or participate in a Member Meeting or a vote of the Members (collectively "Member Voting Document"), may be treated by the C&E Committee on behalf of the Cooperative as follows:

- a. The C&E Committee may use such identification and security methods on Member Voting Documents as bar codes, and may require such evidence of identification from Members and agents of Members as a driver's license or passport, to assist in determining whether a Member Voting Document should be accepted or rejected.

- b. The C&E Committee may accept, and give effect to, a Member Voting Document if: (1) the name signed on the Member Voting Document corresponds to a Member's name, and the C&E Committee acts in good faith; or (2) the C&E Committee reasonably believes the Member Voting Document is valid and authorized.
- c. The C&E Committee may reject, and not give effect to, a Member Voting Document if the C&E Committee: (1) acts in good faith; and (2) has a reasonable basis for doubting the identity of the person presenting the Member Voting Document as a Member or as authorized by a Member, the validity of the signature on the Member Voting Document as that of a Member or authorized by a Member, and/or the validity of the signatory's authority to sign on behalf of the Member.
- d. The C&E Committee, the members of the C&E Committee, the Cooperative, and any Member or employee of the Cooperative ("Employee") as the result of performing services for the C&E Committee, shall not be liable to any Member for the acceptance or rejection of a Member Voting Document as provided in this Bylaw.

**Section 3.14. CREDENTIALS AND ELECTION COMMITTEE.**

- a. Committee Members. At least two hundred fifty-five (255) days before the date of each Annual Member Meeting, a Credentials and Election Committee ("C&E Committee"), consisting of an uneven number of members between five (5) and eleven (11), inclusive, shall be appointed or re-appointed by the Board to serve as the C&E Committee relative to that Annual Member Meeting and relative to all other Member Meetings before the next subsequent Annual Member Meeting. In the event that a new set of C&E Committee members is not appointed and/or re-appointed by the Board at least two hundred fifty-five (255) days before the date of the next scheduled Annual Member Meeting, then each Member in Good Standing who was on the C&E Committee for the previous Annual Member Meeting shall be automatically re-appointed for another term unless or until he has resigned or been removed by the Board for good cause.
  - 1) The exclusive supervision and control of elections by the Members is placed in the C&E Committee to further the cooperative principles of transparency, accountability, and democratic Member control, and to avoid the actual or appearance of influence by the Board and Officers on such elections.
  - 2) Each member of the C&E Committee shall be a Member in Good Standing who is not an existing Director, Director Candidate, Director Nominee, Officer or Employee, or a Close Relative thereof. For the purposes of these Bylaws, a "Close Relative" to an Individual is another Individual who: (a) by blood, law or marriage, is a spouse, child, sibling,

parent, aunt, uncle, niece, nephew, grandchild, grandparent, in-law or half, step, foster or adoptive relative of the first Individual; or (b) resides in the same dwelling with the first Individual.

- 3) As determined by the Board, the Cooperative may reasonably compensate and reimburse C&E Committee members.

b. Committee Duties. During, or within a reasonable time before or after, the Member Meeting for which the C&E Committee was appointed or reappointed, the C&E Committee shall:

- 1) After the members of the C&E Committee have been appointed and/or reappointed to serve until the next Annual Member Meeting, at its first meeting the C&E Committee shall elect a chairman, a vice chairman and a secretary;
- 2) Timely establish or approve such rules, procedures and such forms as are reasonable or necessary to assist the C&E Committee in performing its duties and achieving its purposes as stated in this Bylaw, consistent with the Governing Documents;
- 3) Timely perform all of the duties of the C&E Committee, as described in Section 4.05 (Nominations), Subsection b;
- 4) In coordination with the Secretary of the Cooperative, send to each Member timely notice of each Member Meeting, in accordance with Section 3.04 (Notice Of Member Meetings), Subsection a;
- 5) Subject to the Limitations and Procedures described in Subsection c of this Section, timely consider and decide the types of questions, issues, or disputes that must be finally decided before or at a Member Meeting in order for an election by the Members to be conducted and be decided at that meeting (collectively "Election Issues");
- 6) Oversee or supervise Member voting in person, by Mail and by Electronic Transmission; and
- 7) Tabulate, certify and announce at the Member Meeting, or as soon thereafter as practical, the number of votes cast in favor of and against each matter or question submitted to a vote of the Members, and the number of votes cast for each Director Nominee on the ballot.

c. Resolution of Election Issues.

- 1) The Election Issues include, but are not limited to, the following relating to an election scheduled to be conducted at a Member Meeting:

- a) The review and approval or disapproval of Nominating Petitions, and the Director Nominees to be included on the ballot, in accordance with Section 4.05;
  - b) The determination of whether a Director Nominee or newly elected Director meets all of the director qualifications, as described in Section 4.03 (Composition) and Section 4.04 (Qualifications) (collectively “Director Qualifications”);
  - c) Issues relating to Member registration, quorum and voting, including the identification and Membership status of Members, the authority and identification of representatives voting for Member organizations, the number of Members present, the validity of ballots sent and received by the Cooperative by Mail or Electronic Transmission, and disposition of multiple ballots cast by or for the same Member; and
  - d) The tabulation or count of ballots, including the determination of vote results.
- 2) Limitations. All initial decisions of the C&E Committee relating to Election Issues shall be final, except that a Member who is directly affected by such a decision in a way that is different from the way in which other Members in general may be affected, such as, by way of example, a Member who has been disqualified from voting, a Member whose Nominating Petition has been determined to be incomplete, or a Director Nominee who is determined to not have satisfied the Director Qualifications, may challenge such a decision by the C&E Committee (“Member Challenge”), provided that:
- a) A Member Challenge shall be filed in writing with the C&E Committee within ten (10) days of the date of the decision by the C&E Committee that is being challenged, stating all reasons and factual bases for the challenge.
  - b) A Member Challenge shall be reasonably capable of being addressed and decided by the C&E Committee, and such Member Challenge is in fact addressed and decided by the C&E Committee, before the time has passed when the right which is sought to be preserved or reinstated by the Member Challenge can be timely exercised according to these Bylaws and applicable Maryland law without causing or requiring either of the following in order for the Member Challenger or any other Member to satisfy a requirement of these Bylaws relative to the election to which such Member Challenge relates:

- (1) A delay in such election; or
  - (2) A violation or delay of any deadline or requirement relating to such election.
- c) If a decision by the C&E Committee is timely challenged, then the C&E Committee shall schedule a meeting to determine, based on the written challenge, whether the Member Challenge is reasonably capable of being addressed and decided by the C&E Committee while the action sought by the challenge would be timely to the election process, and to notify the Member(s) with standing who have challenged the decision as to whether, and if so when, a hearing on the challenge will be conducted by the C&E Committee.
- d) If a hearing on the challenge is scheduled, then at such hearing the C&E Committee shall:
- (1) Receive oral or written evidence from the challenging Member(s), or legal counsel representing such Member(s); and
  - (2) Consider, decide, and rule on the Member Challenge, stating the reasons therefor.
- e) The C&E Committee's decision regarding a Member Challenge shall be final.
- f) The failure of the Cooperative or the C&E Committee to act as required by this Section shall not, by itself, affect any vote, any Director election, or any other action taken at a Member Meeting.
- 3) Procedures: In reconsideration of an Election Issue, the C&E Committee may meet, consider, or decide Election Issues, or otherwise act, only if a majority of the C&E Committee members are present. Approval by the C&E Committee of a proposed decision or action requires a vote in favor thereof by a majority of the C&E Committee members voting thereon. Except as otherwise provided in this Bylaw, C&E Committee decisions or actions during, or within a reasonable time before or after a Member Meeting, so as not to delay an election or substantially delay the determination and announcement of election results, are final. At the Cooperative's expense, the Cooperative shall make legal counsel available to the C&E Committee.
- d. The Cooperative may dispose of all records relating to a vote by Members at any

time at least sixty (60) days after the final vote has occurred, and all Election Issues, Election Challenges, and judicial rights and proceedings, related thereto have been exhausted.

#### **Article IV BOARD OF DIRECTORS**

Section 4.01. **GENERAL POWERS.** The business and affairs of the Cooperative shall be managed by a Board, which shall exercise or delegate and oversee, except to the extent reserved exclusively to the Board by Law, the Articles, or these Bylaws, all of the powers of the Cooperative except such powers as are by Law, the Articles, or these Bylaws conferred upon or reserved to the Members.

Section 4.02. **POLICIES, RULES AND REGULATIONS.** The Board shall have the power to make and adopt the following, not inconsistent with the Law, the Articles or these Bylaws, as the Board may deem advisable from time to time:

- a. Policies, rules and regulations (“Board Policies”), for the management of the business and affairs of the Cooperative; and
- b. Rules of order to govern Member Meetings, Board Meetings, and Board Committee meetings.

Section 4.03. **COMPOSITION.** The Board shall consist of the following Directors, all of whom shall have equal powers, duties and compensation.

- a. One Director representing each Director District served by the Cooperative as follows:
  - 1) The Service Territory shall be divided into the following ten (10) geographic districts (the “Director Districts”), which together, shall include, and be limited to, the entire Service Territory:
    - a) Eight (8) Director Districts, each consisting of all of the Service Territory located within the political boundaries of a single county, being the Maryland Counties of Caroline, Cecil, Dorchester, Kent, Queen Anne’s, Somerset, Talbot, and Wicomico;
    - b) One (1) Director District consisting of all of the Service Territory located within the Ocean Pines Subdivision in Worcester County, Maryland, as determined from the Land Records and Plat Records of Worcester County, Maryland; and
    - c) One (1) Director District consisting of all of the Service Territory located within the political boundaries of Worcester County,

Maryland that is not part of the Ocean Pines Subdivision.

- 2) One (1) Director shall be elected or appointed from each Director District.
  - 3) Each Director, and each Director Nominee and Director Candidate for the office of Director, shall: (1) have his principal residence within the Director District for which he has been, or is seeking to be, elected or appointed as a Director; and (2) shall be a registered voter in said Director District. In the case of a Director or candidate for Director who has used more than one property as a residence, the determination of which property is his principal residence shall be that property which he has actually used as his residence more than 182 days during the 365 days immediately preceding the date as of which the place of his principal residence is being determined.
  - 4) The boundaries of a Director District may be amended by amending the applicable Bylaw.
- b. One (1) at-large Director selected by the Board from among all the Members of the Cooperative, if the Board finds such position to be in the best interest of the Cooperative. Such at-large Director shall be selected by a majority vote of the Directors at the Annual Board Meeting held immediately following the Annual Member Meeting.

Section 4.04. **QUALIFICATIONS.** Subject to the restrictions of Section 4.03:

- a. No Person shall be eligible to become or remain a Director of the Cooperative unless he shall:
  - 1) Be an Individual who is a Member in Good Standing;
  - 2) Receive an Electricity Service at his principal residence, as defined above;
  - 3) Be at least eighteen (18) years of age and have the capacity to enter into legally binding contracts;
  - 4) Be either a graduate from an accredited high school or have earned a high school equivalency diploma from an accredited educational institution;
  - 5) Except as otherwise provided by the Board for good cause, and except for Directors in office on the effective date of this Subsection, receive a Credentialed Cooperative Director designation, a Director's Certificate, or similar designation or certification from the National Rural Electric Cooperative Association within three (3) years after first becoming a



Director;

- 6) Act at all times in good faith and for the Cooperative's best interests;
  - 7) Represent all Members of the Cooperative on an impartial basis;
  - 8) Devote such time and effort to his duties as a Director as is reasonably necessary, based on his prior experience, training and tenure on the Board, to perform the duties of Director and oversee the Cooperative's business and affairs, such as attendance at Board Meetings, committees of the Board, regional and national association meetings, and Director training and education programs; and
  - 9) Comply with all Governing Documents, including Board Policies applicable to Directors.
- b. No person shall be eligible to become or remain a Director of the Cooperative if such person:
- 1) Within ten (10) years preceding a Director candidate's election, was, or during service on the Board is finally adjudged to be guilty of a felony;
  - 2) Is currently, or within ten (10) years immediately preceding the date of his election or appointment as a Director, was an Employee, a director or an employee of a competing firm, or a firm selling and/or distributing electricity;
  - 3) Is, becomes or shall have been, at any time during the ten (10) years preceding his election or appointment as a Director, employed by a labor union that represents or has endeavored to represent any Employee;
  - 4) Is a Close Relative of an Employee or a Director;
  - 5) Is in any way employed by or substantially financially interested in an enterprise competing with the Cooperative or any of its subsidiaries or any of its affiliates or a major supplier of any of the aforementioned entities;
  - 6) Is or becomes a full-time employee or agent of, or is or becomes the full-time employer or principal of, another Director; or
  - 7) During any twelve (12) month period, fails without reasonable cause, as determined by the other Directors in their discretion, to:
    - a) Physically attend substantially all of seven (7) of the following types of meetings:

- 1) Monthly Board Meetings; and/or
  - 2) The combined Annual Member Meeting and Annual Board Meeting, which shall be counted as one (1) meeting; and
- b) Physically attend, and/or participate Electronically or by telephone in, substantially all of at least three (3) additional Monthly Board Meetings.
- c. The failure of any Director to meet any of the requirements contained in this Section and/or in Section 4.03 while acting as a Director shall not affect in any manner whatsoever the validity of any vote or any action taken at any Board Meeting.
- d. For purposes of this Section the ownership and/or use by a Director and/or his spouse of a renewable electricity generating source not substantially greater in generation capacity than necessary to meet the domestic and business-related electricity needs of the Director and any businesses or Entities in which the Director and/or his spouse own a majority interest, shall not violate any requirement contained in these Bylaws to become and/or remain a Director.

#### Section 4.05. **NOMINATIONS.**

- a. A Member who meets all of the Director Qualifications, and who is seeking to be elected as a Director to represent a Director District for which the term of its Director expires on the date of the next Annual Member Meeting, (“Director Nominee”) shall deliver his completed and signed petition for nomination as a candidate for Director, on an approved form, (“Nominating Petition”) to the C&E Committee at the headquarters office of the Cooperative, at least one hundred and twenty (120) days before the date of the next Annual Member Meeting, which Nominating Petition shall be in writing, signed under oath by the Director Nominee, and:
- 1) Shall consist of the following, substantially in the form as last approved by the Board at least two hundred and ten (210) days before the date of the next Annual Member Meeting:
    - a) The name of the Director Nominee and the Director District which the Director Nominee is seeking to represent conspicuously printed on each page, and containing the printed name, address, telephone number, Member number or Member account number, and the original dated signature of the Director Nominee and at least fifteen (15) other Individuals who were Members on the Record Date for the Member Meeting at which the election

relating to the Nominating Petition will be conducted, all of whom shall have signed the Nominating Petition after the date on which notice is first sent pursuant to Subsection b, 1) of this Section;

b) Such other information about the Director Nominees as the Board may deem necessary or desirable as stated by Board Policy; and

c) A signed consent by the Director Nominee to have his name placed in nomination to be elected as a Director and to publish his Nominating Petition to the Members and on the Cooperative's website; and

2) May include a statement of the District Nominee's education, employment and other relevant qualifications to serve as a Director.

b. The C&E Committee shall:

1) At least one hundred and sixty-five (165) days before the date of the next Annual Member Meeting, cause notice to be given to the Members of the Director Districts for which a Director is scheduled to be elected at the next Annual Member Meeting;

2) At least seventy-five (75) days before the date of the next Annual Member Meeting;

a) Complete its review and such investigation of the timely received Nominating Petitions as it deems necessary in order to determine whether the Director Nominees comply with Sections 4.03, 4.04 and 4.05; and

b) For each Nominating Petition that was not properly completed or timely submitted and for each Director Nominee who is found by the C&E Committee not to comply with Sections 4.03, 4.04 or 4.05, promptly cause written notice of such non-compliance to be sent by Mail, addressed to the Director Nominee at his address as shown on the Nominating Petition, stating the reasons for non-compliance and the date of the mailing of such notice; and

3) At least thirty (30) days before the date of the next Annual Member Meeting:

a) Cause notice to be sent by any permissible means to the Members of the name of each Director Nominee who has timely submitted a Nominating Petition who the C&E Committee has found to be in compliance with this Bylaw ("Director Candidate"), the

corresponding Director District for which the Director Candidate is seeking to be elected, and the fact that further information about the Director Candidates is posted in a prominent public place at the principal office of the Cooperative and on the Cooperative's website; and/or

- b) Cause the information described in Subsection b, 3), a), of this Section to be posted in a prominent public place at the principal office of the Cooperative and posted on the Cooperative's website.

Section 4.06. **ELECTIONS.** Directors shall be elected from among those Members nominated and qualified in accordance with Section 4.05. Nominations from the floor and write-in candidates for Director are not permitted. A Director who is elected from a Director District shall be elected by a vote conducted in accordance with Article III at the Annual Member Meeting by and from among all of the Members at large, and not restricted to the votes of Members in a particular Director District, to serve the Director District in which he resides for the term as described for that Director District in Section 4.07 until his successor shall have been elected and qualified. If an election of Directors shall not be held on the day designated for the Annual Member Meeting, or at any adjournment thereof, a special meeting of the Members shall be held for the purpose of electing the Directors within a reasonable time thereafter.

Section 4.07. **TENURE.** Directors who represent a Director District shall serve for a term of three (3) years. The election of Directors shall be conducted at the Annual Member Meeting, and shall be rotated as follows:

- a. Directors representing the Director Districts of Dorchester, Kent, and Queen Anne's Counties were elected in 2012 to serve until the Annual Member Meeting to be held in 2015. These positions shall again be subject to election in 2015 and every three (3) years thereafter.
- b. Directors representing the Director Districts of Caroline and Wicomico Counties, and that portion of Worcester County that is not located in Ocean Pines Subdivision were elected in 2013 to serve until the Annual Member Meeting to be held in 2016. These positions shall again be subject to election in 2016 and every three (3) years thereafter.
- c. Directors representing the Director Districts of Cecil, Somerset, and Talbot Counties were elected in 2011 to serve until the Annual Member Meeting to be held in 2014. The Director representing the Director District of Ocean Pines shall be appointed by the Board at the 2013 Annual Member Meeting. The positions of Director to represent the Director Districts of Cecil, Somerset, and Talbot Counties and Ocean Pines shall be subject to election for terms of three (3) years in 2014 and every three (3) years thereafter.

- d. The term of office for any at-large or additional Directors shall end at the adjournment of the next annual meeting of the Members.

Section 4.08. **DIRECTOR FEES AND EXPENSES.** A Director is not an employee of the Cooperative, and shall not receive a salary for serving as a Director. Each Director shall be paid a fixed sum and expenses, as determined from time to time by the Board and stated in the Board Policies, for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs, and performing committee assignments when authorized by the Board.

Section 4.09. **DISQUALIFICATION OF DIRECTOR BY BOARD.** After being elected or appointed as a Director, if two-thirds (2/3) of the remainder of the Board physically present at or participating in a Board Meeting as permitted by Section 5.06, a, 2), exclusive of the Director under consideration for disqualification, finds that a Director is holding office in violation of any of the Director Qualifications, then, except as otherwise provided by the Board for good cause shown, the Board shall disqualify and remove that Director, and that Individual shall no longer be a Director, provided that prior to any consideration or vote on such removal by the Board, or notifying the Director of the results of the vote on his proposed removal, the Board shall first:

- a. Cause written notice to be sent to the Director by first-class or certified mail, postage prepaid, addressed to his current address as listed among the Cooperative's records, notifying him of his proposed removal, each alleged violation of the Director Qualifications, and that he has the right to either submit signed written comments upon his alleged Director Qualification violations to the Board by mail, or attend the Board Meeting at which his proposed removal is to be considered and present evidence relating thereto, provided that such written comments or notice of intent to attend the Board Meeting is received by the Board within a time specified in the notice not less than ten (10) days after the date on which the said Cooperative's notice by mail is presumed to have been received by the Director. The Cooperative's written notice by mail shall be presumed to have been received by the Director on the fifth (5th) day on which the U.S. Postal Service delivers mail after the date on which such notice was deposited by the Cooperative with the U.S. Postal Service; and
- b. Consider any comments and evidence submitted by the Director, either: (a) timely received in writing from him; or (b) made by him at a Board Meeting after timely requesting the right to do so.

Section 4.10. **REMOVAL OF DIRECTORS BY MEMBERS.**

- a. A Director may be removed for cause by the affirmative vote of a majority of the Members.
- b. "Cause" for removal shall mean that the Director has been found by the Members, in accordance with the procedures of this Section, to have committed

an act or omission adversely affecting the business and affairs of the Cooperative and amounting to willful negligence, fraud or criminal conduct.

- c. No Director shall be removed except upon certification that the following procedures have been followed:
  - 1) A written petition must be presented to the Board which shall:
    - a) Describe in detail each of the charges and basis therefore. If more than one (1) Director is sought to be removed, individual charges for removal shall be specified; and
    - b) Be signed by a minimum of ten percent (10%) of the Members of the Cooperative within sixty (60) days of the date of the petition.
  - 2) If the Board determines that the petition complies with Subsection c, 1) of this Section, and only if the Secretary certifies the authenticity of the petition, notice of a meeting of the Members shall be given in accordance with these Bylaws and shall be held within ninety (90) days after the date of receipt by the Cooperative of the written petition.
  - 3) At such meeting, evidence must be presented in support of the charges. The Director shall be entitled to be represented by counsel and shall have the opportunity to refute such charges and present evidence in his defense before a vote of the Members is taken.

**Section 4.11. EFFECT OF DIRECTOR BEING SUBJECT TO REMOVAL.** The fact that a Director fails to meet the Director Qualifications or the existence of any other grounds for removal of a Director, and the fact that such Director is subject to removal under any section of this Article, shall not affect the validity of any action taken by the Board while that Director is a member of the Board and participated in such action by the Board.

**Section 4.12. VACANCIES ON THE BOARD.**

- a. Vacancies. A vacancy exists on the Board upon: (1) the death of a Director; (2) the written and signed resignation of a Director delivered to the Board or to the President & CEO, which shall be effective upon its delivery as stated above unless a different effective date is specified in the resignation; (3) the disqualification of a Director by the Board in accordance with Section 4.09; (4) upon the removal of a Director in accordance with Section 4.10; or (5) an increase in the number of Directors.
- b. Filling of Vacancies. If a vacancy occurs on the Board, the remaining Directors shall appoint a Director to fill the vacancy for the remainder of the term for which the vacating Director was elected, or for the initial term in the case of an increase in the number of Directors.

**Article V**  
**MEETINGS OF DIRECTORS**

**Section 5.01. REGULAR BOARD MEETINGS.**

- a. An annual meeting of the Board (“Annual Board Meeting”) shall be held without notice, at the location of and immediately after the Annual Member Meeting, to elect and appoint the Officers, and make such appointments for the Cooperative for the coming year as the Board may deem appropriate, and to conduct such other Cooperative business as the Board may deem necessary or desirable.
- b. A regular meeting of the Board shall also be held each month (“Monthly Board Meeting”) on a schedule of dates, times and places approved by the Board unless the Board shall by resolution change the date, time and/or place of Monthly Board Meeting. Such Monthly Board Meeting may be held without notice other than such resolution changing the date, time and/or place thereof as previously established.

**Section 5.02. SPECIAL BOARD MEETINGS.** A special meeting of the Board (“Special Board Meeting”) may be called by the Chairman or by a majority of the Board. The Chairman or Directors calling a Special Board Meeting shall fix and notify the Secretary of the date, time and place of that meeting and each item to be included on the agenda thereof. The Secretary shall promptly cause notice of a Special Board Meeting to be given to all Directors as hereafter provided. The agenda of a Special Board Meeting shall be limited to the items in the notice thereof unless all Directors present agree otherwise.

**Section 5.03. NOTICE OF BOARD MEETINGS.** Notice of the date, time, place, and each item to be included on the agenda of a Special Board Meeting shall be given to each Director either personally, in writing by Mail, or by Electronic Transmission by or at the direction of the Secretary or Assistant Secretary, or upon the default thereof, by the Chairman or the Directors calling the Special Board Meeting. If by Mail, such notice shall be by certified mail to the Director at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five (5) days before the date set for the meeting.

**Section 5.04. WAIVER OF BOARD MEETING NOTICE.** At any time, a Director may waive notice of any Annual Board Meeting, Monthly Board Meeting or Special Board Meeting (collectively “Board Meeting”) by delivering to the Cooperative a written waiver of notice signed by the Director and later filed with the minutes of the Board Meeting or the Cooperative’s records. Unless a Director upon arriving at or participating in a Board Meeting, or prior to the vote on a particular matter, objects to lack of or defective notice of the Board Meeting or a matter being considered at the Board Meeting, and does not vote for or assent to an objected matter, then the Director’s attendance at or participation in a Board Meeting waives notice of the Board Meeting and any matter considered at the Board meeting.

**Section 5.05. DIRECTOR QUORUM AND VOTING.**

- a. Director Quorum.
  - 1) The majority of the Directors, who are either physically present at a Board Meeting or participating therein by means of audio communication, as provided in Section 5.06, a, 2), shall constitute a quorum for the purposes of any Board Meeting (“Director Quorum”).
  - 2). A Director having a Direct Interest or Indirect Interest (as defined in Section 5.09) is not counted in determining whether a Director Quorum is present or participating in a Director Meeting to vote or act upon a matter in which the Director has a Direct Interest or Indirect Interest.
  - 3) If there is less than a Director Quorum for a Board Meeting, then a majority of the Directors participating in said meeting may fix the time and place to which to adjourn the meeting from time to time, provided that the Secretary shall notify all Directors of the time and place of such adjourned Board Meeting.
  
- b. Voting.
  - 1) The act of a majority of the Directors physically present at or participating in a Board Meeting, as permitted by Section 5.06, a, 2), shall be the act of the Board in all matters, except:
    - a) As otherwise required by law or these Bylaws; and
    - b) An affirmative vote of at least two-thirds (2/3) of the Directors is required to discharge the President & CEO of the Cooperative.
  - 2) A Director shall not vote by proxy.

**Section 5.06. CONDUCT OF BOARD MEETINGS.**

- a. Unless otherwise provided in these Bylaws, any Board Meeting may be:
  - 1) Held in any location that is agreed to by a majority of the Board; and
  - 2) Conducted with the inclusion of one (1) or more Directors who are not physically present at the Board Meeting, but who are each connected by telephone or other means of audio communication, through which means of communication said Directors are able to simultaneously hear, and be heard by, all other Directors and other persons participating in the Board Meeting. A Director who is not physically present at a Board Meeting shall be deemed present in person at said Board Meeting for purposes of determining a quorum for so long that Director remains connected by



such means of audio communication to the other participants in the Board Meeting and is engaged in the Board Meeting.

- b. If a Director Quorum is present at any Board Meeting, then:
  - 1) In descending priority, the following officers of the Board (“Board Officers”) may preside at the Board Meeting: Chairman, Vice Chairman, Secretary, Secretary-Treasurer; and
  - 2) If no Board Officer is present, or desires to preside over any Board Meeting, then the Directors attending the Board Meeting shall elect a Director to preside over the Board Meeting.

Section 5.07. **BOARD ACTION BY WRITTEN CONSENT.** Without a Board Meeting, the Board may take any action required or permitted to be taken at a Board Meeting if the action is taken by all Directors and evidenced by one (1) or more Written Consents (“Director Written Consent”) describing the action taken, signed by each Director, and included with the Cooperative’s Board Meeting minutes. Unless the Director Written Consent specifies a different effective date, action taken by Director Written Consent is effective when the last Director signs the Director Written Consent. A Director Written Consent has the effect of, and may be described as, a vote of the Director at a Board Meeting.

Section 5.08. **COMMITTEES.** The Board may create committees of the Board (“Board Committees”) and appoint Directors to serve on the Board Committees. Each Board Committee must consist of two (2) or more Directors. The Board may create committees of the Members (“Member Committees”) and appoint Members, including Directors, to serve on the Member Committees. Board Committees and Member Committees serve at the Board’s discretion.

- a. **Conduct of Committee Meetings.** To the same extent as the Board, the Bylaws addressing Board Meetings, conduct of Board Meetings, waiver of Board Meeting notice, Board action by written consent, Director Quorum, and voting apply to the Board Committees and to Directors serving on Board Committees, and to Member Committees and to Directors and Members serving on Member Committees.
- b. **Appointment of Cooperative Officers and Employees.** Any Cooperative Officer or Employee may, at the Board’s discretion, be appointed to serve on a Member Committee.
- c. **Committee Authority.** A Board Committee or Member Committee may act as specified by the Board, but shall not exercise or usurp Board authority.

Section 5.09. **CONFLICT OF INTEREST TRANSACTION.** A Conflict Of Interest Transaction is a transaction with the Cooperative in which a Director has a Direct Interest or an Indirect Interest.

- a. **Direct Interest.** A Director has a Direct Interest in a transaction if at least one (1) party to the transaction other than the Cooperative is the Director.
- b. **Indirect Interest.** A Director has an Indirect Interest in a transaction if at least one (1) party to the transaction other than the Cooperative is:
  - 1) A cooperative, corporation, limited liability company, unincorporated association, joint venture, partnership, Persons having a joint or common economic interest, sole proprietorship, trust, estate, government or agency or division of a government, or any other type of entity (collectively “Entity”) in which the Director has a material financial interest, an ownership interest of more than ten percent (10%), or is a general partner, or of which the Director is a director, officer or trustee;
  - 2) A Close Relative of the Director; or
  - 3) An Entity in which a Close Relative of the Director has a material financial interest, an ownership interest of more than ten percent (10%), or is a general partner, or of which a Close Relative of the Director is a director, officer or trustee.
- c. **Approval of Conflict of Interest Transaction.** Regardless of the presence at or participation in a Director Meeting or vote of a Director having Direct Interest(s) or Indirect Interest(s) in a Conflict Of Interest Transaction, a Board Quorum is satisfied, and the Conflict Of Interest Transaction may be approved by the Board, if: (1) the Conflict Of Interest Transaction’s material facts and all of the Directors’ Direct Interests and Indirect Interests relating to the Conflict Of Interest Transaction are disclosed or known to the Board; (2) no Directors having a Direct Interest or Indirect Interest in the Conflict Of Interest Transaction is counted in determining whether there is a Director Quorum for the Director Meeting at which the Conflict Of Interest Transaction is approved by the Board; and (3) a majority of the Board with no Direct Interest or Indirect Interest in the Conflict Of Interest Transaction votes to approve the Conflict Of Interest Transaction.
- d. **Fair Conflict Of Interest Transaction.** A Conflict Of Interest Transaction that is approved pursuant to Subsection c of this Section, or that is fair to the Cooperative when entered or approved pursuant to this Bylaw, is not, solely by reason of being a Conflict of Interest Transaction: (1) void or voidable; or (2) the basis for imposing liability on a Director having a Direct Interest or Indirect Interest in the Conflict Of Interest Transaction.

**Article VI  
OFFICERS**

Section 6.01. **OFFICES.** The officers of the Cooperative shall be Chairman, Vice Chairman,

Secretary, Treasurer, and such other officers as may be deemed necessary or advisable by the Board from time to time for the management of the Cooperative (collectively “Officers”). The Offices of Chairman, Vice Chairman, Secretary and Treasurer shall be held by Directors. The other Offices may, but need not, be held by Members. The Offices of Secretary and Treasurer may be held simultaneously by the same Director.

Section 6.02. **ELECTION OF OFFICERS AND TERM OF OFFICE.** At each Annual Board Meeting, or as soon thereafter as reasonably possible and convenient, the Board shall, by written ballot, without prior nomination, elect and appoint the Officers by the affirmative vote of a majority of the Directors physically present at or participating in a Board Meeting as permitted by Section 5.06, a, 2). Subject to resignations and removals, each Officer shall hold his respective Office from the time he is appointed to that Office until the first meeting of the Board following the next succeeding Annual Member Meeting or until his successor shall have been elected, appointed and qualified. A vacancy in an office held by one of the Officers (“Office”) shall be filled for the unexpired portion of the term such Office by the vote and appointment by the Board.

Section 6.03. **RESIGNATION AND REMOVAL OF OFFICERS AND BOARD APPOINTEES.**

- a. An Officer or an appointee of the Board (“Appointee”) may resign from his Office or position of appointment (“Appointment”) by delivering his oral or written resignation to the Board at the Cooperative. Unless such a resignation specifies a later effective date, a resignation is effective when received by the Board. If an Officer’s or Appointee’s resignation is not effective when received by the Board, then the Board may appoint a successor of the resigning Officer or Appointee after his resignation is received by the Board and before the effective date of his resignation, to become effective when his Office or Appointment is vacated.
- b. Any Officer or Appointee elected or appointed by the Board may be removed as an Officer or Appointee by the Board at any time with or without cause.

Section 6.04. **CHAIRMAN.** Unless otherwise determined by the Board or otherwise required by a Governing Document, the chairman of the Board (“Chairman”) shall: (a) be the principal executive officer of the Cooperative; (b) preside at all Member Meetings and all Board Meetings; (c) on behalf of the Cooperative, may sign any document properly authorized or approved by the Board; and (d) perform such other duties, have all other responsibilities, and may exercise all other authority, as may be incident to the office of Chairman or may be prescribed to him by the Board or Members from time to time.

Section 6.05. **VICE CHAIRMAN.** Unless otherwise determined by the Board or otherwise required by a Governing Document, the vice chairman of the Board (“Vice Chairman”) shall: (a) in the absence of the Chairman, or in the event of his inability or refusal to act, 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 (b) perform such other duties as may be incident to the

office of Vice Chairman or may be prescribed to him by the Board or Members from time to time.

Section 6.06. **SECRETARY.** Unless otherwise determined by the Board or otherwise required by a Governing Document, the secretary of the Cooperative (“Secretary”) shall: (a) be responsible for preparing, or supervising the preparation of, minutes of Member Meetings and Board Meetings; (b) see that all notices required by the Governing Documents are duly given in accordance therewith; (c) attest to the execution and affix the seal of the Cooperative to all documents authorized or approved by the Board or Members and; (d) perform all other duties, have all other responsibilities, and may exercise all other authority, as may be incident to the office of Secretary or may be prescribed to him by the Board or Members from time to time.

Section 6.07. **TREASURER.** Unless otherwise determined by the Board or otherwise required by a Governing Document, the treasurer of the Cooperative (“Treasurer”) shall perform all duties, have all responsibility, and may exercise all authority, incident to the office of Treasurer as may be prescribed to him by the Board or Members from time to time.

Section 6.08. **DELEGATION OF SECRETARY’S AND TREASURER’S RESPONSIBILITIES.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer described in Section 6.06 and Section 6.07, the Board, by resolution, may, except as otherwise limited by law, delegate, wholly or in part, the duties, responsibility and authority for, the regular or routine administration of, one or more of such Officers to one or more other Officers or Employees or agents of the Cooperative who are not Directors. The Secretary or the Treasurer shall be relieved of any of their respective duties, responsibilities and authorities to the extent and during the time that such duties, responsibilities and authorities are delegated to others by the Board.

Section 6.09. **PRESIDENT AND CHIEF EXECUTIVE OFFICER.** The Board may appoint a president and chief executive officer (“President & CEO”) who may be, but who shall not be required to be, a Member. The President & CEO shall perform such duties, have such responsibilities, and shall exercise such authority as may be prescribed to him by the Board from time to time.

Section 6.10. **REPORTS.** The Officers shall submit at each Annual Member Meeting reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

Section 6.11. **OFFICER STANDARD OF CONDUCT.** Every Officer shall discharge his duties in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the Officer reasonably believes to be in the Cooperative’s best interests.

Section 6.12. **OFFICER CONTRACT RIGHTS.** The election or appointment of any Officer by itself does not create a contract between the Cooperative and the Officer. An Officer’s resignation does not affect the Cooperative’s contract rights, if any, with the Officer.

Section 6.13. **COMPENSATION.** The powers, duties, authority and compensation of Officers, Appointees and Employees shall be fixed by the Board, subject to the provisions of these Bylaws with respect to compensation for Directors and Close Relatives of Directors.

Section 6.14. **BONDS.** The Treasurer and any other Officer, Appointee or Employee charged with responsibility for the custody of any of its funds or property shall 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, Appointee or Employee to be bonded in such amount and with such surety, as it shall determine.

## **Article VII NON-PROFIT OPERATION; CAPITAL CREDITS**

Section 7.01. **OPERATION; PURPOSE.** The Cooperative:

- a. Shall at all times be operated on a non-profit basis in accordance with the cooperative principles for the purpose of supplying, promoting, and extending the use of electricity in the Cooperative's electricity distribution territory ("Service Territory") for the mutual benefit of its Patrons, in accordance with the Maryland Electric Cooperative Act, as amended from time to time (the "Maryland Act");
- b. Shall not pay interest or dividends on capital furnished by Patrons; and
- c. May be a member of or own stock in the types of Entities permitted by the Maryland Act.

Section 7.02. **COOPERATIVE SERVICES.**

- a. **Definitions.** A "Cooperative Service" is any Electricity Service or any Other Cooperative Service.
  - 1) **Electricity Service.** The term "Electricity Service" means the sale, distribution, supply, provision and/or otherwise furnishing (collectively "Supply") by the Cooperative of electricity for purchase, receipt, consumption or use (collectively ("Use") by a Patron.
  - 2) **Other Cooperative Service.** The term "Other Cooperative Service" means the Supply by the Cooperative in the normal course of its business for Use by its Patrons of any product or service other than an Electricity Service.
- b. **Effect of Terminating Electricity Service On Other Cooperative Services.** In the event that a Patron causes or permits his last remaining Electricity Service Account to be terminated, then all Other Cooperative Services being Supplied to him may be terminated and all sums owed by him to the Cooperative relative to

Other Cooperative Services may be immediately due and payable by him to the Cooperative.

**Section 7.03. PATRONS, NON-MEMBER PATRONS.**

- a. ***Patron.*** A patron of the Cooperative (“Patron”) during a Fiscal Year is any Person Using a Cooperative Service during that Fiscal Year to whom the Cooperative is obligated to allocate Capital Credits, which obligation existed before the Cooperative received payment for that Cooperative Service. A Patron, by his actions, may be: (1) a Member; or (2) a Non-Member Patron.
- b. ***Effect Of Filing A Refusal Or Resignation Of Membership.*** The filing of a refusal or resignation of Membership by a Patron, pursuant to Section 2.01, d (Refusal or Resignation of Membership), shall not negate, limit, effect or vary the terms of Subsection 9.01, a (Agreements By All Patrons), but shall prevent that Patron from becoming a Member or convert the status of that Patron from a Member to a Non-Member Patron.
- c. ***Non-Member Patron.*** A non-member patron of the Cooperative (“Non-Member Patron”) during a Fiscal Year is any Person, other than a Member, Using a Cooperative Service during that Fiscal Year to whom the Cooperative is obligated to allocate Capital Credits, which obligation existed before the Cooperative received payment for that Cooperative Service. A Non-Member Patron is subject to the terms of Subsection 9.01 a (Agreements By All Patrons) except as otherwise provided in or modified by Subsection 9.01 b (Further Agreements By Non-Member Patrons).

**Section 7.04. PATRONS TO FURNISH CAPITAL TO THE COOPERATIVE.** The furnishing of Cooperative Services shall be so conducted that all Patrons shall, through their patronage of the Cooperative (“Patronage”), furnish capital for the Cooperative (“Capital”) in accordance with these Bylaws and the Law.

**Section 7.05. ALLOCATING AND CREDITING CAPITAL TO PATRONS.** The Cooperative shall allocate Capital Credits as provided in this Bylaw. Capital Credits shall be allocated in the name of Patrons as shown in the records of the Cooperative, regardless of the Patron’s marital status.

- a. ***Allocating Earnings (“Margins”) And Losses to Patrons.*** After the close of each Fiscal Year, the Cooperative shall determine all earnings (margins) and losses for the immediately past Fiscal Year, and shall allocate such earnings and losses as follows:
  - 1) ***Operating Earnings (“Patronage Margin”).*** For each Cooperative Service (or group of Cooperative Services if permitted by Law) Supplied for a Fiscal Year, the Cooperative shall equitably allocate to each Patron, in proportion to the quantity or value of the Cooperative Service(s)

Patronage by the Patron during the Fiscal Year, the Cooperative's Operating Earnings during the Fiscal Year. "Operating Earnings" (also known as "patronage margin") for a Cooperative Service means the amount by which the Cooperative's operating revenues (also known as "patronage sourced revenues") from Supplying the Cooperative Service(s) exceed the Cooperative's operating expenses, costs and reserves permitted by Law (also known as "patronage sourced expenses") of Supplying the Cooperative Service(s).

- 2) ***Non-Operating Earnings ("Non-Patronage Margin")***. For each Fiscal Year in which the Cooperative has non-operating earnings ("Non-Operating Earnings"), the Cooperative shall, at the discretion of the Board in accordance with the Law, do any of the following with the Non-Operating Earnings: (a) use them; (b) retain them; (c) off-set them against prior or current Operating Losses and/or Non-Operating Losses; and/or (d) equitably allocate to each Patron, in proportion to the quantity or value of the Cooperative Services Patronage by the Patron during the Fiscal Year. Non-Operating Earnings (also known as "non-patronage margin") means the amount by which the Cooperative's non-operating revenues (also known as "non-patronage revenues") during a Fiscal Year exceed the Cooperative's non-operating expenses, costs and reserves permitted by Law (also known as "non-patronage expenses") during the Fiscal Year.
- 3) ***Operating Losses ("Patronage Losses")***. For each Fiscal Year in which the Cooperative has an operating loss ("Operating Loss"), the Cooperative shall, at the discretion of the Board: (a) equitably allocate to each Patron, in proportion to the quantity or value of the Cooperative Service Patronage by the Patron during the Fiscal Year, the Operating Loss during the Fiscal Year against the Cooperative's Operating Earnings and/or Non-Operating Earnings for the Fiscal Year; and/or (b) offset the Cooperative's unallocated Operating Loss against the Cooperative's future Operating Earnings and/or Non-Operating Earnings. "Operating Loss" (also known as "patronage loss") means the amount by which the Cooperative's operating expenses (also known as "patronage sourced expenses") to Supply a Cooperative Service during a Fiscal Year exceed the Cooperative's operating revenues (also known as "patronage sourced revenues") from Supplying the Cooperative Service during the Fiscal Year, all as determined under federal cooperative tax law and the Maryland Act.
- 4) ***Non-Operating Losses ("Non-Patronage Losses")***. For each Fiscal Year in which the Cooperative has a non-operating loss ("Non-Operating Loss"), the Cooperative shall, at the discretion of the Board: (a) equitably allocate to each Patron, in proportion to the quantity or value of the Cooperative Service Patronage by the Patron during the Fiscal Year, the

Non-Operating Loss during the Fiscal Year against the Cooperative's Operating Earnings and/or Non- Operating Earnings for the Fiscal Year; and/or (b) offset the Cooperative's unallocated Operating Loss against the Cooperative's future Operating Earnings and/or Non- Operating Earnings. "Non-Operating Loss" (also known as "non-patronage loss") means the amount by which the Cooperative's non-operating expenses (also known as "non-patronage sourced expenses") during a Fiscal Year exceed the Cooperative's non-operating revenues (also known as "non-patronage sourced revenues") during the Fiscal Year.

- b. **Capital Credits.** For each amount allocated to a Patron pursuant to this Section, the Patron shall contribute a corresponding amount to the Cooperative as Capital. The Cooperative shall credit all Capital contributions from a Patron to a Capital Credits Account for that Patron. The term "Capital Credits" (also known as "patronage credits") means the amounts allocated to a Patron, contributed by the Patron to the Cooperative as Capital and credited to his Capital Credits Account pursuant to this Section.
- c. **Accounting For Capital Credits.** The Cooperative shall maintain records reflecting the Capital (Patronage) allocated to each Patron, Capital Credit retirement payments, and the balance thereof for each Patron, pursuant to this Section.
- d. **Effect Of Allocation.** At the time of receipt by the Cooperative thereof, each such Capital contribution shall be treated and have the same status as though the Cooperative paid the amount allocated to the Patron in cash pursuant to a legal pre-existing obligation to do so, and the Patron contributed to the Cooperative a corresponding amount as Capital.
- e. **Authority Of Board To Allocate.** Subject to the Law and this Bylaw, the allocation of Capital Credits is in the discretion of the Board, and the Board shall determine the manner, method, and timing of allocating Capital Credits. The Cooperative may use or invest unretired Capital Credits as determined by the Board.
- f. **Different and Separate Allocations.** As reasonable and fair, the Cooperative may allocate Capital Credits to classes of similarly situated Patrons under different manners, methods, and timing, provided the Cooperative allocates Capital Credits to similarly situated Patrons under the same manner, method, and timing. If the Cooperative is a member, patron, or owner of an Entity ("Affiliate Entity") from which the Cooperative Uses a good or service in Supplying a Cooperative Service and from which the Cooperative is allocated a capital credit or similar amount ("Affiliate Capital Credit"), then, as determined by the Board and consistent with this Bylaw, the Cooperative may separately identify and allocate to the Cooperative's Patrons this capital credit or similar amount allocated by the Affiliate Entity.



- g. **Notification Of Capital Credits.** Within a reasonable time after the close of each Fiscal Year, not to exceed eight and one-half (8 ½) months, the Cooperative shall notify each Patron, in writing, delivered in accordance with Section 3.04 (Notice Of Member Meetings), either by Mail in accordance with Subsection c, 2), or by Electronic Transmission in accordance with Subsection c, 3), of the stated dollar amount of Capital Credits allocated to his Capital Credits Account for that Fiscal Year.
- h. **Vesting Of Rights To Capital Credits.** A Patron's right to Capital Credits vests, accrues, becomes redeemable, and becomes payable only upon the Cooperative retiring the Capital Credits as provided in Section 7.07 (Retiring Capital Credits), and not upon the Cooperative allocating the Capital Credits to a Patron's Capital Credits Account as provided in this Section.

Section 7.06. **ASSIGNMENT OF CAPITAL CREDITS.** Capital credited to the Capital Credits Account of each Patron shall be assignable only on the records of the Cooperative pursuant to this Section or a written order of a court of competent jurisdiction unless the Board, acting under policies of general application, shall determine otherwise.

- a. **Generally.** Generally, to assign or transfer a Patron's Capital Credits: (1) the Secretary or Assistant Secretary of the Cooperative must receive a written request by the Patron to assign or transfer his Capital Credits, containing the Patron's notarized signature dated within thirty (30) days; (2) the Patron and the assignee or transferee must comply with all other reasonable requirements specified by the Cooperative; and (3) the Board must approve the assignment or transfer.
- b. **Termination, Conversion, Or Alteration Of Joint Memberships.** Upon receiving written notice and sufficient proof of the termination, conversion, or alteration of a Joint Membership and written consent containing the notarized signature by each party to the Joint Membership or legal successor in interest thereof:
  - 1) Through the death of a Joint Member, unless otherwise agreed to by all parties, the Cooperative shall assign and transfer to each surviving Joint Member and the legal representative of the Deceased Joint Member's an equal portion of Capital Credits allocated, or to be allocated, to the Joint Membership; or
  - 2) Other than through the death of a Joint Member, and except as otherwise provided by a court or administrative body of competent jurisdiction, and except as otherwise provided by the Joint Members, upon the termination of a Joint Membership the Cooperative shall assign and transfer to each Joint Member an equal portion of Capital Credits allocated, or to be allocated, to the Joint Membership.

Section 7.07. **RETIRING CAPITAL CREDITS.** The Cooperative may retire and pay as provided in this Section to Patrons and former Patrons the Capital Credits allocated and credited on the records of the Cooperative to those Patrons and former Patrons according to this Section.

- a. ***General Capital Credit Retirements.*** Subject to approval by the Board, at any time before the Dissolution, liquidation, or other cessation of existence of the Cooperative, the Cooperative may generally retire and pay some or all Capital Credits allocated to Patrons and former Patrons. If the Cooperative retires and pays Capital Credits, then the Cooperative shall retire and pay Capital Credits in a Patron's name as shown in the Cooperative's records, regardless of the Patron's marital status. If the Cooperative mails a retired Capital Credit payment, then the Cooperative shall mail the payment to the Patron or former Patron's address as shown in the Cooperative's records.
- b. ***Capital Credit Retirement Discretion.*** If, at any time prior to Dissolution or liquidation of the Cooperative, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the Capital credited to the Patrons' Capital Credits Accounts may be retired in full or in part. The Board shall have the sole authority and discretion to determine whether to retire and pay Capital Credits, including the amount, manner, method and timing thereof, none of which shall be affected by previous such retirements and payments.
- c. ***Different and Separate Capital Credit Retirements.*** As reasonable and fair, the Cooperative may retire and pay Capital Credits to classes of similarly situated Patrons and former Patrons under different manners, methods, and timing, provided the Cooperative retires and pays Capital Credits to similarly situated Patrons and former Patrons under the same manner, method, and timing. If the Cooperative separately identified and allocated Affiliate Capital Credits, then the Cooperative may retire and pay these Affiliate Capital Credits only after the Affiliate Entity that allocated those capital credits to the Cooperative retires and pays some or all of those capital credits to the Cooperative.
- d. ***Early Retirement of Capital Credits of Decedents' Estates.*** Subject to the discretion and approval of the Board, and any provision of these Bylaws to the contrary notwithstanding:
  - 1) Upon the death of an Individual Patron or a former Individual Patron (a "Decedent") the Cooperative may specially retire and promptly pay all Capital Credits allocated to the Decedent as of his date of death if the legal representative of the Decedent's estate shall submit to the Cooperative a written and signed agreement by the legal representative of the Decedent's estate, in form and substance and accompanied by supporting documents satisfactory to the Cooperative, agreeing to accept prompt payment of the net present value of all of the Decedent's Capital

Credits in exchange for the total surrender to the Cooperative of all of the rights of the legal representative of the Decedent's estate to the Decedent's Capital Credits and the rights to receive payments of the full value for the all of the Decedent's Capital Credits at any time in the future except in the event of the Dissolution, liquidation, or other cessation of existence of the Cooperative;

- 2) Upon the death of the first to die of two spouses who were the sole parties to a Joint Membership (a "Deceased Spouse"), the Cooperative may specially re-allocate to the Deceased Spouse, retire and promptly pay one-half (1/2) of all Capital Credits allocated to the said Joint Membership as of the Deceased Spouse's date of death if the legal representative of the Deceased Spouse's estate shall submit to the Cooperative a written and signed agreement by the legal representative of the Deceased Spouse's estate, in form and substance and accompanied by supporting documents satisfactory to the Cooperative, agreeing to accept prompt payment of the net present value of all of the Capital Credits of the Deceased Spouse in exchange for the total surrender to the Cooperative of all of the rights of the legal representative of the Deceased Spouse's estate to the Deceased Spouse's Capital Credits and the rights to receive payments of the full value for all of the Deceased Spouse's Capital Credits at any time in the future except in the event of the Dissolution, liquidation, or other cessation of existence of the Cooperative; and
- 3) Upon the termination of the legal existence, as distinguished from the equivalent of a merge or consolidation, of an Entity (a "Terminated Entity"), the Cooperative may specially retire and promptly pay all Capital Credits allocated to the Terminated Entity as of its date of termination if the legal representative of the Terminated Entity shall submit to the Cooperative a written and signed agreement by the legal representative of the Terminated Entity, in form and substance and accompanied by supporting documents satisfactory to the Cooperative, agreeing to accept prompt payment of the net present value of all of the Terminated Entity's Capital Credits in exchange for the total surrender to the Cooperative of all of the rights of the legal representative of the Terminated Entity's to the Terminated Entity's Capital Credits and the rights to receive payments of the full value for the all of the Terminated Entity's Capital Credits at any time in the future except in the event of the Dissolution, liquidation, or other cessation of existence of the Cooperative.

- e. ***Discounted Capital Credit Payments.*** Except as otherwise provided in this Section, in retiring Capital Credits the Cooperative must pay the allocated amount of retired Capital Credits and may not pay the net present value of retired Capital Credits. If the Cooperative retires and pays the net present value of

Capital Credits to a Patron or former Patron, or the legal representative of a deceased Patron or former Patron, before the time the Cooperative anticipates normally retiring and paying the Capital Credits, then the amount of Capital Credits not paid must be retained in the name of the Patron or former Patron and paid to the Patron or former Patron upon the Dissolution, liquidation, or other cessation of existence of the Cooperative.

- f. ***Retirement of Capital Credits Upon Dissolution.*** 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 property rights of Members.
- g. ***Capital Credit Recoupment and Offset.*** Notwithstanding any provisions of these Bylaws to the contrary, and regardless of any statute of limitation or other time limitation, the Cooperative may recoup, offset, or setoff any amount owed, however old, by a Patron or former Patron to the Cooperative, including any interest and late payment fees, by deducting the amount owed to the Cooperative by such Patron or former Patron from any retirement or assignment of Capital credited by the Cooperative to such Patron or former Patron, either: (1) before retirement of the Capital credited at net present value, or (2) at the time the Capital Credits are normally retired at full value.
- h. ***Granting A Security Interest To The Cooperative.*** To secure a Patron's obligation to pay amounts owed to the Cooperative, including any interest and late payment fees, and in return for the Cooperative providing a Cooperative Service to a Patron, that Patron may execute a security agreement with the Cooperative in which the Cooperative is granted a security interest in Capital Credits allocated and/or to be allocated to that Patron, and authorize the Cooperative to perfect that security interest.
- i. ***Abandoned Retired Capital Credits.*** Unclaimed payments by the Cooperative of retired Capital Credits to Patrons shall be paid to the State of Maryland, in accordance with Maryland Code, Commercial Law Article, Title 17 (Maryland Uniform Disposition of Abandoned Property Act), as amended from time to time, unless Maryland Law now or hereafter permits the Cooperative to do something with such unclaimed payments other than pay them in full to the State of Maryland, in which case the Board shall then have the sole power and discretion to decide, from time to time, subject to the then existing Maryland Law, what, if anything, shall be done by the Cooperative with such abandoned payments.

Section 7.08. **REASONABLE RESERVES.** Any other Bylaws to the contrary notwithstanding, with the approval of the Board, for the purpose of meeting its reasonable business needs the Cooperative may accumulate and retain amounts exceeding those needed to meet its current losses and expenses ("Reasonable Reserves"). The Cooperative shall keep

records necessary to determine, at any time, each Patron's rights and interest in Reasonable Reserves.

## **Article VIII DISPOSITION OF PROPERTY**

Section 8.01. **ENCUMBRANCES OF ASSETS TO SECURE INDEBTEDNESS.** Without authorization by the Members and on the conditions the Board may determine, the Board may authorize the execution and delivery of mortgages, deeds of trust and other documents, pledging or encumbering any or all of the Assets of the Cooperative, whether acquired or to be acquired, wherever located, and the revenues and income from Assets, to secure any indebtedness of the Cooperative to any financing institution to the fullest extent permitted by the Maryland Act.

Section 8.02. **TRANSFERS OF ASSETS.** The Cooperative shall not sell, lease or otherwise dispose of (collectively "Transfer") all or a Substantial Portion of the Assets unless such Transfer is authorized by the Members after the following requirements have been satisfied:

- a. ***Submission Of Proposal To The Board.*** Each proposal for the Transfer of all or a Substantial Portion of the Assets ("Initial Transfer Proposal") shall be submitted to the Board for its consideration and vote as to whether the proposal appears to be worthy of consideration by the Members; and
- b. ***Appraisal And Information.*** If the Board determines that the Initial Transfer Proposal appears to be worthy of consideration by the Members, then the Board shall obtain at least one (1) independent appraisal of: (1) the value of the Cooperative; (2) the fair market value of the Assets proposed to be Transferred; (3) the effect on the Cooperative of the Initial Transfer Proposal; and (4) any other information, terms and conditions that the Board determines should be considered by the Members relative to the Initial Transfer Proposal; and
- c. ***Notice To Other Cooperatives.*** If the Board, after receiving and considering such appraisal(s) and information, determines that the Initial Transfer Proposal is worthy of being submitted to a vote of the Members, then the Board shall cause the Cooperative to give notice in writing or by Electronic Transmission to the Cooperative's wholesale electricity supplier cooperative(s) and to such other distribution electric cooperatives supplied with electricity by the same wholesale electricity supplier cooperative(s), and which cooperatives did not make the Initial Transfer Proposal, which notice shall include: (a) a copy of the Initial Transfer Proposal and a copy of the appraisal; and (b) an opportunity within a fixed deadline date and time not less than sixty (60) days after the date of said notice, giving due consideration to the time required for the loan approval process of Cooperative lenders, within which time to submit a competing proposal; and
- d. ***Member Meeting.*** If the Board then determines that consideration should be given by the Members to the Initial Transfer Proposal or any subsequent

proposal(s) received by the Board in response to the notice given pursuant to this Section (collectively “Proposed Transfer(s)”), then the Board shall schedule a Member Meeting and put such Proposed Transfer(s) to a vote of the Members in conjunction therewith after giving notice of such Member Meeting and the Proposed Transfer(s) being submitted to a vote of the Members as required by these Bylaws and Section 5-640 (Disposition of property), Subsection b (Sale, lease, or disposition of property) of the Maryland Act; and

- e. ***Opposing Positions To Members.*** If any one thousand (1,000) or more Members who oppose a position which the Board has taken and published to the Members relative to a Proposed Transfer being submitted to a vote of the Members, then by petitioning the Board and submitting with their petition the text of their unanimous position not less than sixty (60) days prior to the date of the Member Meeting at which the vote by Members relative to the Proposed Transfer(s) is scheduled to be conducted, such group of Members may cause the Cooperative to send to all Members a written statement of such group’s opposing position(s) to those positions that have been taken and published by the Board to the Members relative to the proposed Transfer(s) (hereafter “Opposing Position”), and which Opposing Position shall be sent in the same manner as notices of Member Meetings are required to be sent and with the cost of sending such Opposing Position to be borne by the Cooperative; provided that no Member shall sign or be counted on more than one such petition relating to an Opposing Position relative to the same Member Meeting; and
- f. ***Required Vote.*** At the Member Meeting in order to be approved by the Members a Proposed Transfer shall be approved as follows:
  - 1) By the affirmative vote of not less than two-thirds ( $\frac{2}{3}$ ) of all Members of the Cooperative; however
  - 2) Notwithstanding the provisions of Subsection f, paragraph 1), of this Section or any provision of Law, by the affirmative vote of a majority of the Members voting on the issue, the Board may Transfer all or a Substantial Portion of the Cooperative Assets if such Transfer is to:
    - a) Another cooperative or a foreign corporation doing business in the State of Maryland under the Maryland Act; or
    - b) The holder of any note, bond, or other evidence of indebtedness of the Cooperative issued to the United States or an agency or instrumentality of the United States.
- g. ***Abandonment By Board.*** Except as otherwise provided by the vote of the Members, these Bylaws or the Law, after the Members approve a Proposed Transfer, the Board may abandon that Proposed Transfer.

- h. **Exceptions For Transactions With Cooperatives.** The provisions of Subsections 8.02 a and b shall not apply to a sale, lease, lease-sale exchange or other disposition of Assets involving the Cooperative and one or more other such cooperatives if the substantive effect thereof is to merge or consolidate the Cooperative with such one or more other cooperatives.
- i. **Definitions.** For the purposes of this Section:
  - 1) **Substantial Portion.** A “Substantial Portion” of the Assets shall be any one transaction or a series of related transactions within the same one (1) year period in which either the net book value or the fair market value of all Asset(s) being Transferred, in the aggregate, exceed ten percent (10%) of the net book value of all Assets at the time of such single transaction or on the date of the last such transaction in related series of such transactions during a period of one (1) year or less constituting the Transfer; and
  - 2) **Sell, Lease, Or Otherwise Dispose.** The provisions of Section 8.02 shall not apply to any of the following types of sales, leases or other dispositions of Assets: (a) transfers pursuant to condemnations or threats of condemnations of Assets; (b) transfers pursuant to existing Cooperative legal obligations; (c) transfers associated with Consolidations, Mergers or Dissolution of the Cooperative; (d) transfers of Cooperative Assets in the ordinary course of the Cooperative’s business in which the Cooperative receives consideration in exchange for the Assets which is not materially less than the fair market value thereof.

Section 8.03 **CONSOLIDATIONS AND MERGERS.** Subject to section 5-627 (Consolidation) or section 5-628 (Merger) and section § 5-629 (Effect of consolidation or merger) of the Maryland Act, as amended from time to time and as applicable, the Cooperative may consolidate with one or more other cooperatives to form a new consolidated cooperative (hereafter “Consolidation”), or may merge into another cooperative, or have one or more cooperatives into it (hereafter “Merger”), upon the approval of a proposed Consolidation or Merger as follows:

- a. **Board Approval.** Before notice is given to the Members of a Member Meeting at which there is a vote by the Members regarding a Consolidation or a Merger, the proposed articles of consolidation or merger for the proposed Consolidation or Merger must first be approved by the Board and by the board of directors of each other cooperative that is an intended party to the proposed Consolidation or Merger.
- b. **Notice of Member Meeting.** Before a Member Meeting at which a proposed Consolidation or Merger is to be submitted to a vote of the Members, the Board shall cause notice to be given of such Member Meeting, which notice, in addition to being within the time and in the manner required by these Bylaws for

notice of other Member Meetings, shall include or be accompanied by a copy of the following:

- 1) The proposed articles of consolidation or merger, and a description of the method by which the proposed Consolidation or Merger will be put into effect;
  - 2) Name and address of the principal office of each Entity that is a party to the proposed Consolidation or Merger;
  - 3) Name and address of the principal office of the new or surviving Entity as the result of the Consolidation or Merger (“New Entity”);
  - 4) Manner and basis, if any, of converting Capital Credits and any other Membership or Patronage rights of each consolidating or merging Entity into Memberships or other ownership rights of, or payments from, the New Entity;
  - 5) A statement by the board of directors of each consolidating or merging Entity as to whether it recommends to the proposed Consolidation or Merger;
  - 6) Date, time and place of the New Entity’s first annual meeting of members;
  - 7) Names and addresses of the directors of the New Entity who will serve until the New Entity’s first annual meeting of members; and
  - 8) Such other information required by Law, or in its sole discretion deemed necessary or advisable by the Board relative to the election, the conduct of the Member Meeting, the proposal(s) under consideration, or the business of the New Entity.
- c. **Member Meeting.** Proposed articles of consolidation or merger that have been approved by the Board, and by the board of directors of each other cooperative that is an intended party to the proposed Consolidation or Merger, shall be submitted for consideration and vote by the Members at a Member Meeting.
- d. **Member Approval.** The proposed Consolidation or Merger, the proposed articles of consolidation or merger, and any amendments to the proposed articles of consolidation or merger, shall be approved by the affirmative vote of not less than two-thirds (2/3) of the members of each consolidating cooperative voting on the matter, or not less than two-thirds (2/3) of the members of each merging cooperative voting on the matter, as the case may be.
- e. **Execution of Articles.** If the proposed Consolidation or Merger, proposed



articles of consolidation or merger, and any amendments thereto, are approved by the requisite number of Members of the Cooperative and of each other consolidating or merging cooperative, then the articles of consolidation or merger in the form approved shall be signed, acknowledged and sealed by each consolidating or merging cooperative in accordance with section 5-627 (Consolidation) or section 5-628 (Merger) of the Maryland Act, as the case may be, as amended from time to time.

Section 8.04 **DISSOLUTION.** Subject to the other requirements of Section 5-632 (Dissolution; cooperatives that have begun doing business) of the Maryland Act, as amended from time to time, a proposed dissolution of the Cooperative (“Dissolution”) shall be approved by the affirmative vote of not less than two-thirds ( $\frac{2}{3}$ ) of the Members voting on the matter. Upon approval of such Dissolution the Cooperative shall make payments and distributions according to Section 2.11.

## **Article IX CONTRACTUAL PROVISIONS**

Section 9.01. **PATRON AGREEMENTS.**

- a. *Agreements By All Patrons.*** Except as otherwise provided in or modified by Subsection b (Further Agreements By Non-Member Patron) of this Section relative to Non-Member Patrons, by Using a Cooperative Service, voting in an election by Members of the Cooperative, accepting an allocation of a Capital Credit that is credited to his account for Capital Credits (“Capital Credits Account”), or accepting a payment for a retired Capital Credit, a Patron, as defined in Subsection 7.03, a, acknowledges and agrees that:
- 1) He shall be bound and abide by all of the terms and conditions of the Articles, these Bylaws, and such Board Policies as are published to the Patrons on the Cooperative’s website or otherwise, all as amended from time to time (collectively “Governing Documents”), which Governing Documents shall constitute and be a contract between such Patron and the Cooperative, fully binding on such Patron and the Cooperative as though they each had contemporaneously signed the same document in which each in consideration of the other agreed to the same terms and conditions as contained in the Governing Documents;
  - 2) Capital Credits are not securities under state or federal Law;
  - 3) His right in and to Capital Credits accrues, becomes redeemable, becomes payable and vests only upon the Cooperative retiring the Capital Credits as provided in these Bylaws, and not upon the Cooperative allocating the Capital Credits; and
  - 4) As required by Law, he will:

- a) Report to the appropriate governmental entities all Capital Credits allocated and/or retired to him; and
  - b) Pay the appropriate governmental entities any tax or similar amount on Capital Credits allocated and/or retired to him.
- b. ***Further Agreements By Non-Member Patrons.*** Except as otherwise provided by the Board, a Non-Member Patron, as defined in Subsection 7.03, c (Non-Member Patron), further acknowledges and agrees as follows:
  - 1) To the same extent as a Member, a Non-Member Patron shall abide by and be bound to all of the duties, obligations, liabilities, and responsibilities imposed by the Governing Documents upon Members, including but not limited to the Member Duties described in Section 2.09 hereof; and
  - 2) A Non-Member Patron shall have none of the rights granted by the Governing Documents to Members except:
    - a) To be allocated Capital Credits in accordance with Section 7.05; and
    - b) To be paid for retired Capital Credits, if and when authorized, in accordance with Section 7.07.
- c. ***Publication.*** The Cooperative shall cause the language of Subsection a (Agreements By All Patrons), paragraph 1), of this Section and the fact that the entire set of Governing Documents, as amended from time to time, are posted on the Cooperative's website, available at the Cooperative's headquarters, and available from the Cooperative upon request, shall be posted on the Cooperative's website and shall be included on or with the following documents: (a) application forms for Cooperative Services; (b) monthly bills for Cooperative Services; (c) notices to Members of annual meetings; (d) notices of allocations of Capital Credits; and (e) payments of retired Capital Credits.

Section 9.02. **GOVERNING LAW.** The Governing Documents shall be governed by, and interpreted under, the laws of the State of Maryland.

Section 9.03. **TITLES AND HEADINGS.** All titles and headings of Bylaw Articles, Sections, and Subsections are for convenience and reference only. Such titles and headings are not a substantive part, and do not affect the interpretation, of any Bylaw Article, Section, or Subsection.

Section 9.04. **VALIDITY; INTERPRETATION; SEVERABILITY.**

- a. Nothing in these Bylaws shall require the Board, the Cooperative or any Patron to take any action that would be prohibited by Law.
- b. When reasonably possible, every Article, Section, Subsection, paragraph, sentence, clause, or provision of these Bylaws (collectively, "Bylaw Provision") shall be interpreted so as to be valid and enforceable to the fullest extent permitted by law.
- c. If all or any part of a Bylaw Provision is held invalid, illegal or unenforceable by an authority of competent jurisdiction with respect to the Cooperative or any Patron, the remainder of said Bylaw Provision and these Bylaws shall remain in full force and effect as to all the Cooperative and all Patrons, provided that such invalidity, illegality or unenforceability does not alter the fundamental rights, duties, and relationship between the Cooperative and the Patrons.

Section 9.05. **CUMULATIVE REMEDIES.** The rights and remedies provided in these Bylaws are cumulative. The Cooperative or any Patron asserting any right or remedy provided in these Bylaws does not preclude the Cooperative or Patron from asserting other rights or remedies provided in these Bylaws.

Section 9.06. **WAIVER OF RIGHTS AND REMEDIES.** The failure of the Cooperative to assert any of its rights or remedies provided in these Bylaws does not waive such rights or remedies.

Section 9.07. **SUCCESSORS AND ASSIGNS.**

- a. To the extent allowed by Law:
  - 1) The duties, obligations, and liabilities imposed upon the Cooperative or any Patron by these Bylaws are binding upon the successors and assigns of the Cooperative or the Patron; and
  - 2) The rights granted to the Cooperative by these Bylaws inure to the benefit of the Cooperative and its successors and assigns.
- b. The binding nature of the duties, obligations, and liabilities imposed by these Bylaws upon the successors and assigns of the Cooperative and any Patron does not relieve the Cooperative or Patron of the duties, obligations, and liabilities imposed by these Bylaws upon the Cooperative or Patron.

Section 9.08. **ENTIRE AGREEMENT.** Between the Cooperative and a Patron, the Governing Documents: (1) constitute the entire agreement; and (2) supersede and replace a prior or contemporaneous oral or other communication or representation.

## **Article X MISCELLANEOUS**

Section 10.01. **SEAL.** The corporate seal of the Cooperative shall be either: (a) in the form of a circle containing the name of the Cooperative and the words “Corporate Seal” and “Maryland;” or (b) when permitted by Law the word “(seal)” appearing in a document immediately following the signature of an Individual authorized to sign on behalf of the Cooperative.

Section 10.02. **FISCAL YEAR.** The fiscal year of the Cooperative (“Fiscal Year”) shall begin on the first day of January of each year and shall end on the thirty-first (31st) day of December of the same year.

Section 10.03. **ACCOUNTING SYSTEM, AUDITS AND REPORTS.**

- a. The Board shall cause to be established and maintained a complete accounting system of the Cooperative’s financial transactions, including the Capital Credits Accounts of all current and former Patrons, from which financial statements of the Cooperative, consolidated with those of its subsidiaries, if any, shall be prepared in accordance with applicable Laws and applicable accounting standards, stating the financial position and the results of operations of the Cooperative and its subsidiaries, if any, as the end of each Fiscal Year.
- b. After the close of each Fiscal Year the Board shall cause a full, complete and independent audit by a certified public accountant of the accounts, books and financial statements of the Cooperative, consolidated with those of its subsidiaries, if any, as of the end of such Fiscal Year.
- c. A report of such audit by the certified public accountant shall be submitted to the Members at or before the next Annual Member Meeting following the close of such Fiscal Year.

Section 10.04. **BUSINESS ORGANIZATIONS.** The Cooperative may, upon the authorization of the Board, form, have formed, purchase an interest in, or become a member of, any Entities of the type permitted by section 5-607 of the Maryland Act, for the purpose of engaging in or furthering the objectives and principles of the Cooperative and of rural electrification, or for any other lawful purpose.

Section 10.05 **NOTICE AND COMMUNICATION.** In these Bylaws, except as otherwise provided by Law or these Bylaws:

- a. *Notice and Communication Type.* A notice or communication from the Cooperative to one or more Patrons may be:
  - 1) Oral or written; and
  - 2) Communicated:

- a) (1) in person; (2) by telephone, telegraph, teletype, facsimile, Electronic Transmission, in the Cooperative's website, or other form of wire or wireless communication; (3) by Mail or private carrier; or (4) if the above-listed forms of communicating are impractical, then by newspaper of general circulation in the area where published, or radio, television, or other form of public broadcast communication; or
  - b) If addressed, delivered or transmitted to an address of a Patron as shown in the Cooperative records, then a written or Electronic notice, communication, or report delivered or transmitted as part of a newsletter, magazine, or other publication regularly sent to Patrons constitutes a written or Electronic notice, communication, or report to all Patrons: (1) residing at that address; or (2) having the same address shown in the Cooperative records.
- b. ***Notice and Communication Effective Date.***
- 1) An oral notice or communication is effective when communicated, if communicated in a comprehensible manner; and
  - 2) A written notice or communication is effective upon the earliest of: (a) when received; (b) with the postmark evidencing deposit in the Mail, and if correctly addressed and mailed with first class postage affixed, then five (5) days after deposit in the Mail, or if correctly addressed and deposited in the Mail with other than first class, registered, or certified postage affixed, then thirty (30) days after deposit in the Mail; or (c) if deposited in the Mail, sent by registered or certified Mail, return receipt requested, and if the return receipt is signed by, or on behalf of, the addressee, then on the date indicated on the return receipt. A written notice or communication is correctly addressed to a Patron if addressed to an address of that Patron shown in the Cooperative's records.
- c. If: (1) the Cooperative sends or transmits two (2) written or Electronic notices or communications to a former Patron at an address shown in the Cooperative's records; (2) both notices or communications are sent or transmitted to the same address; and (3) both notices or communications are returned to the Cooperative as undeliverable or the Cooperative is informed that neither notice or communication was deliverable, then, until the Cooperative receives a different address from the former Patron, the Cooperative is not required to send or transmit additional notices or communications to that former Patron.

Section 10.06. **FAILURE TO RECEIVE NOTICE.** Except as otherwise provided by Law or the Articles, the good faith, inadvertent, and unintended failure of any Member or a Director to receive notice of any meeting, action, or vote does not affect, or invalidate, any action or vote taken by the Members or the Board.

Section 10.07. **INDEMNIFICATION.**

- a. **Definitions.** As used in this Section, any word or words that are defined in Maryland Code, Corporations Article, § 2-418, as amended from time to time, (the "Indemnification Code Section") shall have the same meaning as provided in the Indemnification Code Section except as follows:
  - 1) The word "Director" shall mean any Individual who is or was a Director of the Cooperative and any Individual who, while a Director of the Cooperative, is or was serving at the request of the Cooperative as a director, officer, partner, trustee, employee, or agent of another foreign or domestic Entity, trust, enterprise, or employee benefit plan.
- b. **Indemnification of Directors and Officers.** The Cooperative shall indemnify and advance expenses to a Director or Officer incurred or to be incurred by or for him in connection with a proceeding to the fullest extent now or hereafter permitted to a Director by, and in accordance with, the applicable Maryland Law (whether statutory or common law).
- c. **Indemnification of Employees and Agents.** With respect to an employee or agent of the Cooperative, other than a Director or Officer, the Cooperative may, as determined by the Board, indemnify and advance expenses to such employee or agent incurred or to be incurred by or for him in connection with a proceeding to the extent permitted by, and in accordance with, the applicable Maryland Law (whether statutory or common law).

Section 10.08 **INSURANCE.** Regardless of any indemnification authority or requirements in these Bylaws and otherwise, if and to the extent authorized by the Board the Cooperative may, to the fullest extent permitted by the applicable Maryland Law (whether statutory or common law), purchase and maintain insurance on behalf of any Individual who is, or was, a Director, Officer, employee, agent or representative of the Cooperative against any of the following asserted against, or incurred by, that Individual in that Individual's capacity, or arising from that Individual's status as a Director, Officer, employee, agent, or representative of the Cooperative: (a) liability, including judgment, settlement, or otherwise; and (b) reasonable expenses, including reasonable attorney fees, incurred in defending against a claim of such liability.

Section 10.09 **AMENDMENT OF BYLAWS.**

- a. **Member Vote.** Except as otherwise provided in these Bylaws, these Bylaws may be adopted, amended, repealed and/or revised ("Amended") only at a Member Meeting by the affirmative vote of a majority of those Members voting on the matter.
- b. **Initiation of Bylaw Amendment.** A proposed adoption, amendment, repeal and/or revision of these Bylaws ("Amendment") may be initiated for a vote by the Members only by:

- 1) The Board; or
  - 2) Written petition of Members submitted to the Secretary of the Cooperative at the headquarters of the Cooperative, which petition:
    - a) Shall contain:
      - (1) The full text of the proposed Amendment(s);
      - (2) Any explanations and/or purposes for such Amendment(s) as the petitioners may wish to present to the Board and the Members;
      - (3) The printed name, Member number, current billing address, original signature, and date of signature, of at least three hundred (300) Persons, all of whom signed within sixty (60) days before the petition is submitted to the Secretary, and all of whom are Members in Good Standing at the time the petition is submitted to the Secretary; and
      - (4) The name and contact information of the Person who is submitting the petition and with whom the Cooperative can correspond regarding the sufficiency of the petition, the date of the Member Meeting at which it may be submitted to a vote of the Members, or any other issue.
    - b) Shall not be altered or modified after submitted to the Secretary;
    - c) Shall be reviewed by the Board and its attorney for sufficiency of the petition, for sufficiency and legality of the proposed Amendment(s), and for effect of the proposed Amendment(s) on the Cooperative and the Patrons, after which review the Board may comment on and sponsor or oppose the petition; and
    - d) May, at the sole discretion of the Board, be waived by the Board and caused to be noticed to the Members for a vote by them thereon; provided further, that the Board shall not cause any such petition for a proposed Amendment to be noticed or acted upon, or permit any such Amendment to be acted upon, if the Board determines that such, if adopted, would be illegal or a legal nullity.
- c. ***Notice of Proposed Amendment.*** No proposed Amendment shall be submitted to a vote of the Members unless timely notice thereof, and any comments,

sponsorship and/or opposition relating thereto by the Board as it may wish to provide, has been given to the Members as required by Section 3.04.

- d. **Changes To Proposed Amendments.** No proposed Amendment may be substantively altered or amended after notice thereof has been given or from the floor of the Member Meeting at which it is being considered.
- e. **Notice of Adoption.** The Cooperative shall give notice to the Patrons of the approval of an Amendment within ninety (90) days after the vote of the Members approving such Amendment by any combination of Mail and/or Electronic Transmission and by posting such Amendment on the Cooperative's website. The failure of any Patron(s) to receive such notice shall not invalidate the Amendment or its applicability to the Patron(s) who failed to receive such notice.
- f. **Effective Date.** Except as otherwise provided in the motion to adopt an Amendment, such Amendment shall be effective on the day immediately following the close of the meeting at which the Amendment was adopted by the Members.

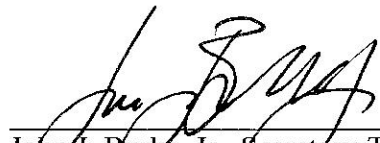
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**Certification Of Bylaws**

I, John J. Burke, Jr., the Secretary of Choptank Electric Cooperative, Inc. (hereafter the "Cooperative"), an electric cooperative corporation organized and existing under the laws of the State of Maryland, hereby certify as follows:

The foregoing bylaws, comprising 54 pages (exclusive of the table of contents), is a true and correct copy of the bylaws of the Cooperative, as amended or otherwise altered to this date, and they are the bylaws of the Cooperative that are in effect as of this date.

Date:   MAY 12  , 2014

  
\_\_\_\_\_  
John J. Burke, Jr., Secretary-Treasurer  
Choptank Electric Cooperative, Inc.