



Bylaws

Stevenson, AL

August 2010

North Alabama Electric Cooperative

The aim of North Alabama Electric Cooperative (hereinafter called the 'Cooperative') is to make electric energy available to its members at the lowest cost consistent with sound economy and good management.

Bylaws

ARTICLE I MEMBERSHIP

Section 1. Requirements for Membership.

Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of the Cooperative upon receipt of electric service from the Cooperative, provided that he or it has first:

- (a) Made a written application for Membership therein;
- (b) Agreed to purchase from the Cooperative electric energy, as hereinafter specified;
- (c) Agreed to comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any rules and regulations adopted by the board of trustees, hereinafter called the "board", and
- (d) Paid the membership fee hereinafter specified. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these bylaws.

Section 2. Membership Certificates.

Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the board. Such certificate shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid for. In case a certificate is lost, destroyed, or mutilated, a new certificate may be issued therefor upon such uniform terms and indemnity to the Cooperative as the board may prescribe.

Section 3. Joint Membership.

A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and liabilities of membership shall equally apply with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting.

- (b) The vote of either separately or both jointly shall constitute a joint vote.
- (c) A waiver of notice signed by either or both shall constitute a joint waiver.
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership.
- (g) Either but not both may be elected or appointed as an officer or board member, provided that both meet the qualifications for such office.

Section 4. Conversion of Membership.

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, bylaws, and rules and regulations adopted by the board. The outstanding membership certificate shall be surrendered and shall be reissued by the Cooperative in such a manner as shall indicate the changed membership status.
- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered and shall be reissued in such manner as shall indicate the changed membership status, provided, however, that the estate of the deceased shall not be released from any debts due to the Cooperative.

Section 5. Membership Fees.

The membership fee shall be five (\$5.00) dollars, upon the payment of which a member shall be eligible for one service connection. One membership fee must be paid in connection with each separate or non-contiguous property for which service is taken and for each different class of service desired; provided, however, that commercial and residential service may be obtained upon one membership fee if the commercial activity is carried on in the residence of the owner; however, each person, firm, corporation or body politic shall be deemed to be but one member.

Section 6. Purchase of Electric Energy

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefore at rates which shall from time to time be fixed by the board. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these bylaws. Each member shall pay to the Cooperative such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the board from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

Section 7. Termination of Membership.

- (a) Any members may withdraw from membership upon compliance with such uniform terms and conditions as the board may prescribe. The board may by the

affirmative vote of not less than two-thirds of all members of the board, expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws, or rules regulations adopted by the board, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the board or by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, may be canceled by resolution of the board.

- (b) Upon withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- (c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount the membership fee or fees paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee or fees the amount of any debts or obligations owed by the member to the Cooperative.

Section 8. Transfer of Memberships.

When any member desires to transfer his membership to any other person who is qualified for membership in the Cooperative, he may assign the same according to the following procedure, unless the board of trustees finds that it is not feasible for the Cooperative to extend service to the proposed assignee:

- (a) The assignor and assignee shall fill out an assignment blank which the Secretary shall make available, showing the location of the premises which have been served in connection with the membership, the character and approximate amount of service which has been taken, the location of the premises for which the assignee desires service and the type of and approximate amount thereof which is desired.
- (b) The assignor and assignee shall make satisfactory arrangements with the board of trustees for the payment to the Cooperative of any obligations of the assignor to the Cooperative and for the making of any repairs or replacements which are required on the meter boxes or other facilities owned by the Cooperative and used in service to the premises in question.
- (c) Upon assignment of any membership, the assignor shall endorse the certificate of membership on the back of the same and the assignment shall be recorded on the books of the Cooperative. The assignment of a membership shall operate to transfer to the assignee all interest, rights, privileges, duties, and obligations of the assignor, which shall thereafter be enjoyed and assumed by the assignee and shall divert the assignor of all right, title, and interest in the property and assets of the Cooperative.

Section 9. Change in Premises to be Served.

Any member who moves from one location to another shall be entitled to receive service at his new location if:

- (a) The member notifies the Cooperative of his change of location, describing the new premises and the type and approximate amount of service desired therefore,
- (b) The new location is within the area of service of the Cooperative, as determined by the board of trustees, and
- (c) Such member pays a reasonable connection charge the amount of which shall be determined by the board.

Section 10. Removal from Service Area of Cooperative.

- (a) When in the judgment of the board of trustees the financial condition of the Cooperative justifies it, the board may authorize the refund of the membership fee to members who have disposed of premises served by the Cooperative or removed from its service area.
- (b) In case the Cooperative disposes of facilities which are necessary for the service of any members thereof, such members shall be notified of such disposition at least two (2) months in advance and shall be entitled to have their respective memberships repurchased by the Cooperative.

Section 11. Security Deposits.

When the membership fee (or such deposit as may be required with respect to service to non-members) does not in the judgment of the board of trustees constitute sufficient security for the payment of bills for electric energy, the board of trustees may require such customer to post a deposit with the Cooperative in an amount deemed sufficient to secure such payment.

Section 12. Wiring.

Service to any person may in the discretion of the board of trustees be conditioned upon such person furnishing to the Cooperative the certificate of a reputable inspector stating that the wiring of the premises served or to be served complies with all local regulations and is in accordance with the latest rules and regulations of the National Electrical Code of the National Board of the Fire Underwriters for the installation of electrical wire, apparatus, and appliances, and is in accordance with the wiring specifications prescribed by Rural Electrification Administration. The requirement or waiver of such a certificate, however, or the supplying of service on the basis thereof, shall not subject the Cooperative to liability to any member or other person for any damages or injuries sustained by reason of defects existing in the wiring of such premises.

Section 13. Easements for Cooperative's Lines.

Members shall, without charge to the Cooperative, grant to it easements over land owned by them for the transmission and distribution lines of the Cooperative, and the board of

trustees may require from applicants for membership the return of any payments previously made to such applicants for easements.

Article II

Section 1. Property Interest of Members.

Upon dissolution, 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 property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of bears to the total patronage of all members during the ten years next receding the date of the filing of the certificate of dissolution, or, if the Cooperative shall not have been in existence for such period, during the period of its existence.

Section 2. 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 Meeting of Members

Section 1. Annual Meeting

The annual meeting of the members shall be held on the third Saturday during the month of August of each year, except in such circumstances which the Board of Trustees determines to be impracticable, at such place within a county served by the Board and which shall be designated in the notice of the meeting, for the purpose of electing Board Members, passing upon reports for the fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings

Special meetings of the members may be called by resolution of the board, or upon a written request signed by any three board members, by the President, or by ten per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members 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 meeting.

Section 3. Notice of Members' Meetings

Written or printed notice stating the place, day, and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered

not less than ten days nor more than twenty-five days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, by or at the direction of the Secretary, or upon default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Quorum

As long as the total number of members does not exceed five hundred, ten per centum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed five hundred, fifty members, or five per centum of the members, present in person, whichever shall be larger, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

Section 5. Voting

Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person except as otherwise provided by law, the articles of incorporation, or these bylaws.

Section 5 (A) Mail and Proxy Voting

Any member who is absent from an annual meeting or special meeting of the members may vote by mail or by proxy at such meeting upon any motion or resolution pertaining to the borrowing of funds or mortgaging or encumbering of the Cooperative's property. The Secretary shall be responsible for the enclosure with the notice of such meeting of an exact copy of such motion or resolution to be acted upon and such absent member shall express his vote thereon by placing a cross (X) in the space provided therefore opposite each such motion or resolution. Such absent member shall enclose each such copy so marked in a sealed envelope bearing his name and addressed to the Secretary. When such written vote so enclosed is received by mail from any absent member, it shall be counted as the vote of such member at such meeting. In the case of a joint membership, if husband and wife are both absent from such meeting, a written vote received from either of them shall constitute one joint vote. Such proxy shall be in writing and filed with the Secretary before or at the same time of the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. No proxy shall be valid after sixty (60) days from the date

of its execution. The presence of a member at a meeting of the members shall revoke a proxy theretofore executed by him and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy. In case of a joint membership, a proxy may be executed by either husband or wife. The presence of either husband or wife at a meeting of the members shall revoke a proxy theretofore executed by either of them and such joint member or members shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed. The failure of any absent member to receive a copy of any such motion shall not invalidate any action which may be taken by the members at any such meeting.

Section 6. Order of Business

The order of business at the annual meeting of the members and so far, as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting.

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

Article IV Trustees

Section 1. General Powers

The business and affairs of the Cooperative shall be managed by a board of nine (9) trustees which shall exercise all of the powers of the Cooperative except such as are by

law or by the charter of the Cooperative or by the bylaws conferred upon or reserved to the members. The territory served, or to be served, by the Cooperative shall be divided into nine (9) districts. Each district shall be represented by one trustee who must be a member receiving service from the Cooperative and reside within the district which he or she represents. The nine districts shall be divided by zip code as follows:

DISTRICT ONE: All members living in 35740 (Bridgeport)

DISTRICT TWO: All members living in 35772 (Stevenson) on the Town side of U.S. Highway 72 from the boundary of 35740 (Bridgeport) to 35752 (Hollywood) and those in 37376 (Sherwood, TN mailing address).

DISTRICT THREE: All members living in 35772 (Stevenson) on the river side of U.S. Highway 72 from the boundary of 35740 (Bridgeport) and all of 35746 (Fackler).

DISTRICT FOUR: All members living in 35752 (Hollywood) and the portion of 35769 (Scottsboro) to the Marshall County line.

DISTRICT FIVE: All members living in 35768 (Scottsboro)

DISTRICT SIX: All members living in 35776 (Woodville)

DISTRICT SEVEN: All members living in 35745 (Estillfork), 35748 (Gurley), 35751 (Hollytree), 35764 (Paint Rock), 35766 (Princeton), and 35774 (Trenton).

DISTRICT EIGHT: All members living in 35747 (Grant).

DISTRICT NINE: All members living in 35976 (Guntersville), 35760 (New Hope), and the portion of 35769 (Scottsboro) that lies in Marshall County.

The board of trustees at any regular or special meeting thereof held not less than thirty days prior to any annual meeting of the members or special meeting of the members held in lieu of such annual meeting may by resolution alter the geographical boundaries of the nine districts with the aim of arranging more equitable districting. The boundaries of such districts shall be so fixed that each district shall contain approximately the same number of members. A violation of such districting provisions shall not, however, affect the validity of any corporate action.

Section 2. Election and Tenure of Office

The persons named as board members in the articles of incorporation shall compose the board until the first annual meeting or until their successors shall have been elected and shall have qualified. Members of the board shall be elected by secret ballot at each annual meeting of the members beginning with the year 1944 by and from the members to serve until the next annual meeting of the members or until their successors shall have been elected and shall have qualified. At the annual meeting of the members in 1957, trustees for districts 2, 5, and 6 shall be elected for a term of one year. Trustees for districts 3, 4, and 9 shall be elected for a term of two years and trustees for districts 1, 7 and 8 shall be elected for a term of three. At the expiration of their respective terms, the trustees shall be elected for terms of three years at each annual meeting of the members.

Section 3. Qualifications

No person shall be eligible to become or remain a board member of the Cooperative who:

- (a) Is not a member and a bonafide resident for a period of at least one year in the district represented by such board member.

- (b) Is in any way employed by or financially interested in a competing business or a business primarily engaged in selling electrical or plumbing appliances, electrical or plumbing fixtures, or electrical or plumbing supplies to the members of the Cooperative. The board of trustees shall have the sole discretion and authority to determine if a business is in competition with the Cooperative.
- (c) Is employed by or is an agent, officer, or official of a labor union.
- (d) As of August 16, 1997, is an elected official of a federal, state, county, or municipal government.

Upon establishment of the fact that a board member is holding the office in violation of any of the foregoing provisions, the board shall remove such board member from office. However, nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the board.

Section 4. Nominations

It shall be the duty of the board to appoint, not less than thirty days nor more than sixty days before the date of the meeting of the members at which board members are to be elected, a committee on nominations consisting of not less than 5 nor more than 11 members who shall be selected from different sections so as to insure equitable representation. No member of the board may serve on such committee. The committee, keeping in mind the principle of equitable representation, shall prepare and post at the principal office of the Cooperative at least twenty days before the meeting a list of nominations for board members. The Secretary shall be responsible for mailing with the notice of the meeting or separately, but at least ten days before the date of the meeting, a statement of the number of board members to be elected and the name and addresses of the candidates nominated by the committee on nominations. Any fifteen or more members acting together may make other nominations by petition and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. Nominations made by petition, if any, must be received at least 45 days before the meeting to be included on the official ballot. The names and addresses of any candidates nominated by petition shall be included with the notice by the Secretary of candidates nominated by the committee on nominations. The chairman shall call for additional nominations from the floor and nominations shall not be closed until at least one minute has passed during which no additional nomination has been made. No member may nominate more than one candidate.

Section 5. Removal of Board Members by Members

Any member may bring charges against a board member and, by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum of the members, may request the removal of such board member by reason thereof. Such board member shall be informed in writing of the charges at least ten days prior to the meeting of the members which the charges are to be considered and shall have the opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same

opportunity. The question of the removal of such board member shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote or the members at such meeting without compliance with the foregoing provisions with respect to nominations.

Section 6. Vacancies

Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of board members by the members, a vacancy occurring in the board shall be filled by the affirmative vote of a majority of the remaining board members for the unexpired portion of the term.

Section 7. Compensation

Board members shall not receive any salary for their services as such, except that the board may be resolution authorize a fixed sum for attendance at board meetings. If authorized by the board, board members may also be reimbursed for expenses actually and necessarily incurred in carrying out Cooperative business such as attendance at meetings, conferences, training programs or performing committee assignments when authorized by the board, or granted a reasonable per diem allowance by the board in lieu of detailed accounting for some of the expenses. No board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a board member receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the member or the service of the board member or his close relative shall have been certified by the board as an emergency measure.

Article V Meetings of Board

Section 1. Regular Meetings

A regular meeting of the board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the board shall also be held monthly at such time and place within one of the counties served by the Cooperative as designated by the board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meeting

Special meetings of the board may be called by the President or by any three board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or board members calling the meeting shall fix the time and place for the holding of the meeting.

Section 3. Notice of Board Meetings

Written notice of the time, place and purpose of any special meeting of the board shall be delivered to each board member either personally or by mail, by or at the direction of the

Secretary, or upon a default in duty by the Secretary, by the President or the board member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the board member at his address it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

Section 4. Quorum

A majority of board shall constitute a quorum, provided that if less than such majority of the board is present at said meeting, a majority of the board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent board members of the time and place of such adjourned meeting. The act of majority of the board members present at a meeting at which a quorum is present shall be the act of the board, except as otherwise provided in these bylaws.

Article VI Officers

Section 1. Number

The officers of the Cooperative shall be a President, Vice-President, Secretary, Treasurer, and such other officers as may be determined by the board from time to time. The offices of Secretary and Treasurer may be held by the same person.

Section 2. Election and Term of Office

The officers shall be elected, by ballot, annually by and from the board of trustees at the first meeting of the board of trustees held after each annual meeting of the members. If the election of officers shall not be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the board of trustees following the next succeeding annual meeting of the members or until his successors all have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

Section 3. Removal

Any officer or agent elected or appointed by the board of trustees may be removed by the board of trustees whenever in its judgment the best interest of the Cooperative will be served thereby.

Section 4. Vacancies

Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the board of trustees for the unexpired portion of the term.

Section 5. President

The President:

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

Section 6. Vice-President

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

Section 7. Secretary

The secretary shall

- (a) Keep the minutes of the members and the board of trustees in one or more books provided for that purpose;
- (b) See that all notices are duly given in accordance with these bylaws, or as required by law;
- (c) Be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all the certificates membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) Keep a register of the post office address of each member which shall be furnished to the secretary by such member;
- (e) Sign with the President certificates of membership, the issue of which shall have been authorized by resolution of the board of trustees.
- (f) Have charge of the books of the Cooperative in which a record of the members is kept;
- (g) Keep on file at all times a complete copy of the bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Cooperative forward a copy of bylaws and of all amendments thereto to each member; and
- (h) In general perform all duties incident to the office to Secretary and such other duties as from time to time may be assigned to him by the board of trustees.

Section 8. Treasurer

The treasurer shall:

- (a) Have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) Receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and
- (c) In general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the board of trustees.

Section 9. Manager

The board may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the board may from time to time vest in him. The manager shall serve at the pleasure of the Board.

Section 10. Bonds of Officers

The board of trustees shall require the Treasurer or any other officer of the Cooperative charged with responsibility for the custody of any of its funds or property, to give bond in such sum and with such surety as the board of trustees shall determine. The board of trustees in its discretion may also require any other officer, agent, or employee of the Cooperative to give bond in such amount and with surety as it shall determine.

Section 11. Compensation

The compensation, if any of any officer, agent, or employee who is also a trustee shall be determined by the members, and the powers, duties, and compensation of any other officers, agents, and employees shall be fixed by the board of trustees.

Section 12. Reports

The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

Section 13. Nepotism

No close relative of a director, officer or the manager shall be a paid employee of the Cooperative.

Article VII Revenues and Receipts

Revenues of the Cooperative for any fiscal year in excess of the amount thereof necessary for;

- (a) Payment of all current operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, taxes, and insurance;
- (b) Payment, at maturity, of interest on all bonds, notes, or other principal indebtedness issued by, or the payment of which shall have been assumed by, the Cooperative, and for amortization charges on all such bonds, notes or other principal indebtedness and/or sinking fund payments thereon;
- (c) The establishment and maintenance of reasonable reserves for replacements, new construction, and for continuing agencies and to provide a reasonable amount of cash working capital; and
- (d) Payment of, or the establishment and maintenance of reserve in an amount sufficient for the payment of all bonds notes or other principal indebtedness, including interest thereon to the date of the actual payment, shall subject to contractual obligations of the Cooperative, be distributed by the Cooperative to its members as either (1) patronage refunds prorated in accordance with the patronage of the Cooperative by the respective members paid for during such fiscal year, or (2) by way of general rate reductions, or (3) by combination of such methods; subject, however, to the provisions of the following ARTICLE VIII regarding allocation of capital credits.

Article VIII Non-Profit Operation

Section 1. Interest or Dividends on Capital Prohibited

The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Electric Energy

In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on patronage basis to all its patrons, members, and non-members alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating cost

and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating cost and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members, and nonmembers alike, as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating cost and expenses. The books and records of the Cooperative shall be set up and kept in such manner that at the end of the fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in appropriate records to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year upon request of the patron, notify such patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they have been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro-rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation the board of trustees shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to the patrons account may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited the capital first received by the Cooperative being first retired.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or part of such patron's premises served by the Cooperative unless the board of trustees, acting under policies of general application shall determine otherwise. In the event that a non-member patron shall elect to become a member of the Cooperative the capital credited to the account of such non-member patron may be applied by the Cooperative toward the payment of a membership fee on behalf of such non-member patrons.

Notwithstanding any other provisions of the bylaws, the board of trustees, at its discretion shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provision of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the board of trustees acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually

signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

Article IX Disposition of Property

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all the members of the Cooperative, and unless the notice of such of such proposed sale, mortgage, or lease, or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the board shall determine, to secure any indebtedness of the Cooperative to United States of America or any instrumentality or agency thereof; provided further that the board may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another Cooperative or foreign corporation doing business in this state pursuant to the Act under which this Cooperative is incorporated.

Article X Seal

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

Article XI Financial Transactions

Section 1. Contracts

Except as otherwise provided in these bylaws, the board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument

in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, etc.

All checks, drafts, or other orders for the payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed and countersigned by such officer or officers, agents or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the board.

Section 3. Deposits

All funds except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the board may select.

Section 4. Change in Rates

Written notice shall be given to the Administrator of the Rural Electrification Administration of the United States of America not less than ninety days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

Section 5. Fiscal Year

The fiscal year of the Cooperative shall begin on the first day of July of each year and shall end on the thirtieth day of June of the following year.

Article XII Miscellaneous

Section 1. Membership in Other Organizations

The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided; however, that the Cooperative may upon the authorization of the board, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the administrator of REA, of any other corporation for the purpose of acquiring electric facilities.

Section 2. Waiver of Notice

Any member or board member may waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or board member at any meeting shall constitute a waiver of notice of such meeting by such member or board member, except in case a member or board member shall attend a meeting for the purpose of

objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 3. Policies, Rules and Regulations

The board shall have power to make and adopt such policies, rules, and regulations, not inconsistent with law, the articles of incorporation or these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

Section 4. Accounting System and Reports

The board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Electrification Administration of the United States of America. The board shall also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books, and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting.

Section 5. Area Coverage

The board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

Article XIII Amendments

These bylaws may be altered, amended or repealed by the members at any regular or special meeting provided the proposal or amendment be submitted by:

- (a) At least 2.0% of the membership of the board of trustees and
- (b) The notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal.

Resolved, that the Board of Trustees of the North Alabama Electric Cooperative is authorized, on behalf of the Cooperative to borrow from time to time additional sums from the United States of America pursuant to the provisions of the Rural Electrification Act of 1936, as amended (hereinafter called the "Act") or from any other lending agency or lending corporation or legal entity, and to incur indebtedness of third parties of the United States of America as approved by the Administrator, the aggregate amount of such loans, together with the aggregate amount of loans, made to the Cooperative by the United States of America not to exceed Twenty-five Million Dollars (\$25,000,000.00)

Resolved, that the Board of Trustees of the North Alabama Electric Cooperative is authorized to mortgage, by deed of trust or by mortgage, and upon such terms as the Board of Trustees shall determine, all or any part of the property of the Cooperative now owned or hereafter acquired, in order to secure such loans heretofore or hereafter made at any time or times pursuant to the ACT, by the United States of America or any other lending agency, lending corporation or legal entity to the Cooperative, and to secure such indebtedness of third parties assumed by the Cooperative with the consent of the Administrator, all limited in aggregate amount as aforesaid.