

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

BYLAWS of CHOPTANK ELECTRIC COOPERATIVE, INC. Proposed to be Amended as of April 26, 2018

Table Of Contents

<u>Sec.</u>	<u>Title</u>	<u>Page</u>	<u>Sec.</u>	<u>Title</u>	<u>Page</u>
	I. General Provisions		3.14	Credentials And Election Committee	20
1.01	Interpretation	1			
1.02	Defined Terms	1			
1.03	Governing Documents	3		IV. Board of Directors	
1.04	Computation Of Time And Deadlines	4	4.01	General Powers	25
			4.02	Policies, Rules And Regulations	25
			4.03	Composition	25
			4.04	Qualifications	26
	II. Members And Patrons		4.05	Nominations	28
2.01	Membership	4	4.06	Director Elections	30
2.02	Joint Membership	6	4.07	Tenure	34
2.03	Patronship Types	8	4.08	Director Fees And Expenses	34
2.04	Membership Certificates	8	4.09	Disqualification Of Director By Board	34
2.05	Conversion Of Membership	8	4.10	Removal Of Directors By Members	35
2.06	Membership And Service Connection Fees	9	4.11	Effect Of Director Being Subject To Removal	36
2.07	Supply Of Cooperative Services	9	4.12	Vacancies On The Board	36
2.08	Receipt Of Cooperative Services	9			
2.09	Duties Of Patrons	10		V. Meetings Of Directors	
2.10	Protected Patron Information	11	5.01	Regular Board Meetings	36
2.11	Property Interest And Members	12	5.02	Special Board Meetings	36
2.12	Non-Liability For Debts Of The Cooperative	13	5.03	Notice Of Board Meetings	37
			5.04	Waiver Of Board Meeting Notice	37
			5.05	Director Quorum And Voting	37
	III. Meetings of Members		5.06	Conduct Of Board Meetings	38
3.01	Member Action	13	5.07	Board Action By Written Consent	38
3.02	Annual Meetings	13	5.08	Committees	39
3.03	Special Meetings	13	5.09	Conflict Of Interest Transaction	39
3.04	Notice Of Member Meetings	13			
3.05	Record Date	15		VI. Officers	
3.06	Member Meeting List	16	6.01	Offices	40
3.07	Quorum	16	6.02	Election Of Officers And Term Of Office	40
3.08	Order Of Business	16	6.03	Resignation And Removal Of Officers And Board Appointees	40
3.09	Conduct Of Meeting	16	6.04	Chairman	41
3.10	Motions	16	6.05	Vice Chairman	41
3.11	Member Voting	17			
3.12	Ballots	18			
3.13	Accepting And Rejecting Member Voting Documents	19			

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

<u>Sec.</u>	<u>Title</u>	<u>Page</u>	<u>Sec.</u>	<u>Title</u>	<u>Page</u>
6.06	Secretary	41		Secure Indebtedness	50
6.07	Treasurer	41	8.02	Transfers Of Assets	51
6.08	Delegation Of Secretary's And Treasurer's Responsibilities	41	8.03	Consolidations And Mergers	53
6.09	President And Chief Executive Officer	42	8.04	Dissolution	55
6.10	Reports	42		IX. Contractual Provisions	
6.11	Officer Standard Of Conduct	42	9.01	Patron Agreements	55
6.12	Officer Contract Rights	42	9.02	Governing Law	57
6.13	Compensation	42	9.03	Titles And Headings	57
6.14	Bonds	42	9.04	Validity; Interpretation; Severability	57
	VII. Non-Profit Operation; Capital Credits		9.05	Cumulative Remedies	57
7.01	Operation; Purpose	42	9.06	Waiver Of Rights And Remedies	57
7.02	Cooperative Services	43	9.07	Successors And Assigns	58
7.03	Patrons, Members, And Non- Member Patrons	43	9.08	Entire Agreement	58
7.04	Patrons To Furnish Capital To The Cooperative	44		X. Miscellaneous	
7.05	Allocating And Crediting Capital To Patrons	44	10.01	Seal	58
7.06	Assignment Of Capital Credits	47	10.02	Fiscal Year	58
7.07	Retiring Capital Credits	47	10.03	Accounting System, Audits And Reports	58
7.08	Reasonable Reserves	50	10.04	Business Organizations	59
	VIII. Disposition Of Property		10.05	Notice And Communication	59
8.01	Encumbrances Of Assets To		10.06	Failure To Receive Notice	61
			10.07	Indemnification	61
			10.08	Insurance	61
			10.09	Amendment Of Bylaws	61

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

BYLAWS of CHOPTANK ELECTRIC COOPERATIVE, INC.

Article I
GENERAL PROVISIONS

Section 1.01. **INTERPRETATION.** Within these bylaws of Choptank Electric Cooperative, Inc. ("Cooperative"), as amended from time to time ("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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 Credit	7.05	Defined Terms	1.02
Affiliate Entity	7.05	Director	2.09
AIS	2.01	Director Candidate	4.05
Amended	10.09	Director Districts	4.03
Amendment	10.09	Director Nominee	4.05
Annual Board Meeting	5.01	Director Qualifications	3.14
Annual Member Meeting	3.01	Director Quorum	5.05
Appointee	6.03	Director Written Consent	5.07
Appointment	6.03	Dissolution	8.04
Article	1.01	Election Issues	3.14
Articles	1.03	Electricity Service	7.02
Assets	8.01	Electricity Service	
Board	2.04	Account	2.01
Board Committees	5.08	Electronic or	
Board Meeting	5.04	Electronically	1.01
Board Officers	5.06	Electronic Transmission	3.04
Board Policies	4.02	Employee	3.13
Bylaws	1.01	Entity	5.09
Bylaw Provision	9.04	Fiscal Year	10.02
C&E Committee	3.14	Good Standing	2.09
Capital	7.04	Governing Documents	1.03
Capital Credits	7.05	Indemnification Code	
Capital Credits Account	9.01	Section	10.07
Chairman	6.04	Individual	1.01
Close Relative	3.14	Initial Transfer Proposal	8.02
Consolidation	8.03	Joint Member	2.01
Contracted Voting		Joint Membership	2.02
Services	4.06	Law	1.03
Cooperative	1.01	Mail	3.04
Cooperative Service	7.02	Margins	7.05
Cooperative Service		Maryland Act	7.01
Account	2.01	Maryland Code	7.07
Deceased Spouse	7.07	Maryland Electric	
Decedent	7.07	Cooperative	8.03

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

<u>Defined Term</u>	<u>Sec. #</u>	<u>Defined Term</u>	<u>Sec. #</u>
Member	2.01	President & CEO	6.09
Member Challenge	3.14	Principal Residence	4.03
Member Committees	5.08	Proposed Transfer(s)	8.02
Member Meeting	3.01	Protected Information	2.10
Member Meeting List	3.06	Protected Record	2.10
Member Voting		Provided Information	2.10
Document	3.13	Reasonable Reserves	7.08
Membership	2.01	Receipt, Receive, or any	
Membership Certificate	2.04	form thereof	7.02
Merger	8.03	Record Date	3.05
Monthly Board Meeting	5.01	Resignation or Refusal	2.01
New Entity	8.03	Secretary	6.06
Nominating Petition	4.05	Section	1.01
Non-Member Patron	2.01 & 7.03	Service Territory	7.01
Non-Operating Earnings	7.05	Special Board Meeting	5.02
Non-Operating Loss	7.05	Special Member	
Non-Operating Margin	7.05	Meeting	3.01
Non-Patronage Margin	7.05	Subsection	1.01
Office	6.02	Substantial Portion	8.02
Officers	6.01	Supply, or any form	
Operating Earnings	7.05	thereof	7.02
Operating Loss	7.05	Tariff	2.07
Operating Margin	7.05	Temporary Service	
Opposing Position	8.02	Interruption	2.01
Other Cooperative		Terminated Entity	7.07
Service	7.02	Transfer	8.02
Patron	2.01 & 7.03	Treasurer	6.07
Patron Duties	2.09	Uncontested Director	
Patronage	7.04	Election	4.06
Patronage Credits	7.05	Vice Chairman	6.05
Patronage Losses	7.05	Voting Services	
Patronage Margin	7.05	Contractor	3.11
Person	2.01		

Section 1.03. **GOVERNING DOCUMENTS.** These Bylaws are subject to the Law and the Articles. If, and to the extent that, a Bylaw conflicts with the Law or the Articles, then the Law or the Articles shall control.

- a. The term "Law" means all applicable local, state, and federal constitutions, statutes, ordinances, regulations, holdings, rulings, orders, and similar documents or actions, whether legislative, judicial, quasi-judicial, administrative or executive, which make up the local, state and federal law, all as amended from time to time.

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- b. The term "Articles" means the Articles of Conversion of the Cooperative, as amended from time to time.
- c. The term "Governing Documents" refers to the Articles, these Bylaws, and the Tariff.

Section 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 AND PATRONS

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, his request for any Electricity Service, information regarding and access to the location where such Electricity Service is 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; and
 - 2) Upon the opening or revival on the automated information system of the Cooperative (the "AIS") of at least one Patron account ("Cooperative Service Account") in his name for his Receipt of any Electricity Service to be Supplied by the Cooperative ("Electricity Service Account"); and
 - 3) Disregarding temporary interruptions of Electricity Service due to unintended natural or man-made occurrences, and/or equipment maintenance, repairs and/or replacements ("Temporary Service

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

Interruptions”), for so long thereafter as the Cooperative shall continuously Supply and he shall continuously Receive any Electricity Service under one or any combination of Electricity Service Accounts in his name on the AIS until:

- a) The Supply of all Electricity Services under all Electricity Service Accounts in his name are terminated;
 - b) There is no Electricity Service being Received by him or anyone else at his request; and
 - c) A final entry has been made on the AIS, and to the related Electricity Service Account in his name, for all Electricity Services Supplied by the Cooperative to him or at his request.
- 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 Cooperative Service Accounts, no more than one (1) Member shall be associated with the same 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 refuse Membership in the Cooperative, and any Member may resign from his Membership in

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

the Cooperative, 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 Cooperative 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. ***Non-Member Patrons.*** Except as otherwise provided therein, all patrons of the Cooperative (“Patrons”) who are not Members (“Non-Member Patrons”) shall be subject to the Governing Documents, and the Receipt of any Cooperative Service shall be subject to the terms and conditions of the Tariff.
- f. ***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 Joint Membership.

Section 2.02. **JOINT MEMBERSHIP.**

- a. Any two (2) or more Individuals who reside in the same household, or who have another common economic interest, activity or enterprise which Receives any Cooperative Service may become parties to one (1) Membership, which shall constitute a joint membership in the Cooperative (“Joint Membership”), and thereby all such parties to the same Joint Membership shall collectively be a Joint Member, upon each of those parties having:
 - 1) Satisfied the requirements set forth in Section 2.01, Subsection a, hereof

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

relative to that Joint Membership; and

- 2) Furnished or caused to be furnished to the Cooperative, relative to such Person, his identification, contact information, and other information as the Cooperative may reasonably require for purposes related to the Joint Membership and the Cooperative Services being or to be 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) Except as stated otherwise below in this Subsection c, any action taken by any one or more parties to the same Joint Membership shall constitute a joint action by all parties to that Joint Membership.
 - 2) Except as stated otherwise below in this Subsection c, in the event of conflicting or countermanding actions by different parties to the same Joint Membership, the Cooperative may, at its sole discretion, either: (a) rely on the last action taken by a party to the same Joint Membership; or (b) refuse to rely on an action taken by less than a majority of the parties to the same Joint Membership.
 - 3) A waiver of notice signed by any one or more of the parties to the same Joint Membership shall constitute a joint waiver by all parties to that Joint Membership.
 - 4) The presence at a meeting of any one (1) or more parties to the same 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.
 - 5) A Joint Membership shall be entitled and be limited to one (1) vote on any one (1) issue submitted to a vote of the Members, as with any other Member. The first vote cast by any party to the same Joint Membership on any one (1) issue submitted to a vote of the Members shall be the only vote counted for that same Joint Membership relative to that same issue unless the same party who cast the first vote for that Joint Membership withdraws that vote.
 - 6) Each Person who is a party to a Joint Membership shall be jointly and

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

severally liable for payment to the Cooperative for all Cooperative Services Supplied to the Joint Membership while that Person is a party to that Joint Membership.

- 7) Withdrawal of a Person as a party to a Joint Membership shall terminate that Joint Membership, but shall not terminate the joint and several liability of a withdrawing party for all Cooperative Services Supplied to that Joint Membership while that withdrawing Person was a party to that Joint Membership.

Section 2.03. PATRONSHIP TYPES.

- a. There shall be two (2) types of Patronship in the Cooperative, based on the type of Electricity Service Supplied to the Patron by the Cooperative:
 - 1) Type I: Patrons Receiving both distribution Electricity Service and supply Electricity Service from the Cooperative.
 - 2) Type II: Patrons Receiving distribution Electricity Service, but not supply Electricity Service, from the Cooperative.
- b. There shall be no distinction in the rights and privileges of Patrons based on the Patronship 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 of the Membership and one or more other Individuals whom he wishes to join in the Joint Membership, provided that each prospective party to a Joint Membership satisfies 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 Joint Membership status.
- b. In the case of a married couple who are the sole parties to a Joint Membership,

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 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 Law.
- 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 required by Law, if any (collectively "Tariff").

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

- a. ***Payment for Cooperative Services.*** A Patron shall timely pay in full to the Cooperative, as and when due and payable according to the Tariff, the legitimate amount(s) of each bill to that Patron 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 Patron shall comply with

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

reasonable procedures required by the Cooperative regarding the Supply of a Cooperative Service to that Patron.

Section 2.09. **DUTIES OF PATRONS.**

- a. ***Patron Duties.*** Each Member, and except as otherwise provided in this Subsection each Non-Member Patron, shall have the following duties (collectively the “Patron Duties”) to:
- 1) Continuously satisfy all requirements for Non-Member Patronship according to the Governing Documents;
 - 2) Provide to and maintain with the Cooperative his current mailing address, telephone number, and email address, if any;
 - 3) Comply with all Patron requirements described in Section 2.08 (Receipt Of Cooperative Services);
 - 4) Without any cost to or payment by the Cooperative, grant and convey to the Cooperative all reasonably requested perpetual easements and rights-of-way satisfactory to the Cooperative on, over, under and/or through the premises of the Patron for installation, operation, maintenance, repair and upgrading of the Cooperative's equipment to enable the Cooperative to Supply requested Cooperative Service to that Member, and to extend and/or improve Cooperative Services to premises located beyond those of that Patron;
 - 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 Patron’s negligence or failure to comply with the Governing Documents applicable to Patrons; and
 - 7) Comply with all Governing Documents published to the Patrons on the Cooperative’s website or otherwise; and
 - 8) Each shall have the duty to continuously satisfy all requirements for Membership.
- b. ***Importance of Patron Compliance with Duties.*** Each Patron: (1) is a vital and

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

integral part of the Cooperative; (2) is united in an interdependent relationship with all other Patrons in the Cooperative; and (3) contributes to the successful operation of the Cooperative by complying with each of the Patron Duties.

- c. ***Good Standing.*** A Patron is in good standing with the Cooperative (“Good Standing”) if as of the date and time in question (in this Section only, the “Determination Time”):
- (1) At such time an Electric Service in his name has not been terminated by the Cooperative for his failure to comply with a duty imposed on him by a Governing Document;
 - (2) He was at such time in compliance with all other duties then imposed on him by a Governing Document; and
 - (3) All Joint Memberships to which he was a party at such time were then in compliance with all duties then imposed on those Joint Memberships by the Governing Documents.
- d. ***Suspension and Termination.*** Subject to Maryland Law and unless otherwise provided in these Bylaws or another Governing Document, and in accordance with such rules and procedures as may be adopted by the Cooperative from time to time, the Cooperative may suspend or terminate Cooperative Services to a Patron and/or the Membership of a Patron for failure to comply with the Governing Documents after a reasonable period of time under the circumstances for failure to be in Good Standing.

Section 2.10. **PROTECTED PATRON INFORMATION.**

- a. The Cooperative shall take reasonable measures to 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 and/or Non-Member Patrons, regardless of whether such record contains any information specifically relating to such Member(s) and/or Patron(s) other than their name(s), including but not limited to any Member Meeting List, shall be the type of record protected by the following provisions of this Section (hereafter “Protected Record”).
- b. Except as otherwise provided by 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 their respective duties to the Cooperative, 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 or the information contained therein (collectively “Protected

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

Information”).

- c. Upon ten (10) business days’ prior written notice or request by a Member or Non-Member Patron, and if, and to the extent that that Member’s or Non-Member Patron’s request is made in good faith, for a proper purpose directly related to a Cooperative function or purpose, describing with reasonable particularity that Member’s or Non-Member Patron’s purpose for inspecting or copying a Protected Record, and how the Protected Record is directly connected with that Member’s or Non-Member Patron’s stated purpose, if the request is reasonable, as determined by the Cooperative, and upon that Member or Non-Member Patron 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) That Member or Non-Member Patron may inspect and copy the names and addresses included in the Protected Record; or
 - 2) The Cooperative shall provide to that Member or Non-Member Patron a copy of only the names, addresses and other information included in the Protected Record that is relevant and necessary to the purpose and basis for approval of the request for information.
- d. Protected Information shall not be inspected or copied for any purpose unrelated to that Member’s or Non-Member Patron’s interest in the Cooperative as a Member or a Non-Member Patron, as the case may be, and shall not be used to solicit money or property, used for any commercial purpose, or sold to or purchased by any Person. An application for Protected Information pursuant to Subsection c of this Section shall be accompanied by an agreement to the Cooperative signed by the applicants in which he agrees: (1) that the requested Protected Information is the sole property of the Cooperative; (2) not to cause or permit any such Protected Information made available or provided to him (“Provided Information”) to be used for any purpose other than that specified in the approval granted pursuant to Subsection c of this Section; (3) to keep confidential all such Provided Information; (4) to hold the Cooperative harmless from all claims against the Cooperative arising from any unpermitted use of such Provided Information caused or permitted by him; and (5) to pay to the Cooperative the gross amount of everything of value received from the unpermitted use of such Provided Information caused or permitted by him.
- e. Except as otherwise provided by 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 the Maryland Act, § 8.04, and after discharging, or adequately providing for the

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

discharge of all debts, obligations, and liabilities of the Cooperative the Board shall distribute any remaining money among the current Members and former Members in accordance with Maryland Act, § 5-632.

Section 2.12. **NON-LIABILITY FOR DEBTS OF THE COOPERATIVE.** The private property of the Members and Non-Member Patrons shall be exempt from execution or other liability for the debts of the Cooperative and no Member or Non-Member Patron shall be liable or responsible for any debts or liabilities of the Cooperative.

Article III MEETINGS OF MEMBERS

Section 3.01. **MEMBER ACTION.**

- a. 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.”
- b. To avoid waiting until the next Member Meeting for the Members to approve minutes of a Member Meeting, the Board shall be authorized to approve the minutes of Member Meetings. Such approved minutes shall be promptly posted on the Cooperative’s website.

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, receiving and voting at the Member Meeting 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 sent, as provided in Subsection 3.04, a, to each Member eligible to vote at that meeting. 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. ***Time and Manner of Giving Notice.*** The C&E Committee shall cause notice,

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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, to be sent, either with or without other documents, to each Member eligible to vote at that meeting, not less than ten (10) and not more than ninety (90) days before the date of the meeting, by either:

- 1) Depositing such notice in the United States mails with postage prepaid (“Mail”), addressed to the Member at his mailing address as it appears on the records of the Cooperative on the Record Date; or
- 2) Providing such notice by any form of communication, not directly involving the physical transmission of paper, that creates a record that: (a) may be retained, retrieved, and reviewed by a recipient of the communication; and (b) may be reproduced directly in paper form by a recipient through an automated process (collectively “Electronic Transmission”),, addressed to the Member at his address for purposes of receiving Electronic Transmissions as it appears on the records of the Cooperative on the Record Date, all as required by the Corporations Article of the Maryland Code.

The good faith, inadvertent, and unintended failure of one or more Members to receive notice of a Member Meeting does not affect an action taken at that Member Meeting.

- b. **Ballot.** A notice of a Member Meeting, required to be sent by 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 of a Member Meeting is delivered to a Member as follows:
 - 1) When deposited in the United States mails if in writing, sent by Mail and addressed to that Member as required;
 - 2) When electronically transmitted from the sender if sent by Electronic Transmission, and addressed to that Member’s electronic address as required; provided that if the Cooperative has received a written and signed request from that Member that notice not be sent by Electronic Transmission, then the Cooperative may not thereafter rely on the above presumption of receipt by that Member via Electronic Transmission unless such request is later rescinded in a signed writing by that Member delivered to the Cooperative; or
 - 3) When personally delivered to that Member in writing if sent in any other manner.

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 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 sent and/or otherwise given, describing the manner in which notice was sent or otherwise 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 as of the Record Date, and the identity of each Member who is, due to his Membership on the Record Date, entitled to the following relative to the Member Meeting to which the Record Date relates:
 - 1) To be sent notice and a ballot relative to that Member Meeting by the Cooperative; and
 - 2) To vote and/or otherwise exercise the rights of a Member at or in conjunction with that Member Meeting.
- b. The date and time of the Record Date shall be fixed as follows:
 - 1) For a Member Meeting, the Record Date shall be at the normal time for the close of business at the Cooperative headquarters on the ninetieth (90th) day before the date of that Member Meeting, but in the event that ninetieth (90th) day before the date of that meeting is not a normally scheduled business day at the Cooperative headquarters, then the Record Date shall be at the normal time for the close of business on the next normally scheduled business day at the Cooperative headquarters that is closer to the scheduled Member Meeting date.

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 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 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 Electricity 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 include the number of 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 in writing to the Secretary of the Cooperative and to the C&E Committee at the headquarters of the Cooperative 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.

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 was 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. Except as otherwise provided elsewhere in these Bylaws, in the Articles or by Law, voting by a Member shall be:
 - 1) In accordance with voting rules and procedures adopted by the C&E Committee; and
 - 2) On a ballot form approved by the C&E Committee, provided to the Member by the Cooperative or its provider of Contracted Voting Service (“Voting Services Contractor”), completed by the voting Member, and received by a C&E Committee designated Committee member after the close of business on the last business day before the next Member Meeting and before the close of voting at that Member Meeting; the completed ballot having been submitted by the voting Member as follows:
 - a) In person at that Member Meeting;
 - b) Sent by Mail to the Voting Services Contractor, or in the absence of a Voting Services Contractor, to the C&E Committee at the Cooperative’s headquarters; or
 - c) Sent by Electronic Transmission to the Voting Services Contractor, or in the absence of a Voting Services Contractor, to the C&E Committee at its Electronic Transmission address,
- d. The Voting Services Contractor (or in absence thereof, the C&E Committee, with such assistance as it may require at the expense of the Cooperative) shall cause the votes cast on all ballots timely received from voting Members by Mail or by Electronic Transmission to be tabulated and the results of such vote tabulations to be stated in a certified document timely sent by Electronic Transmission to the C&E Committee in accordance with such policies and procedures as may be adopted from time to time by the C&E Committee 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.

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- e. Except as otherwise provided elsewhere in these Bylaws, voting by a Member organization shall be permitted:
 - 1) By ballot, on a form approved by the C&E Committee and provided by the Cooperative or the Voting Services Contractor to the Member organization; and
 - 2) Cast by the authorized Individual in any manner as described in Subsection c of this Section.
- f. Except as otherwise provided elsewhere in these Bylaws, in the Articles or by Law, each question or matter submitted to a vote of the Members shall be decided by a majority of the Members voting thereon.

Section 3.12. **BALLOTS.**

- a. Prior to each Member Meeting at which a vote by the Members by ballot 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 required or intended for submission to a vote by ballot 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, each motion or matter being submitted to a vote of the Members by ballot;
 - 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 such ballot shall be 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 Section.

Section 3.14. CREDENTIALS AND ELECTION COMMITTEE.

- a. **Committee Members.** There shall be a Credentials and Election Committee ("C&E Committee"), consisting of ten (10) members.
 - 1) **Qualifications.** Each member of the C&E Committee: (a) shall be a Member in Good Standing for at least three (3) continuous year(s) before he takes office as a committee member and continuously thereafter during his term of office; and (b) shall not be an existing Director, Director Candidate, Director Nominee, Officer or Employee, or a Close Relative of any of them. 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.
 - 2) **From Director Districts.** Each member of the C&E Committee must be from a different one of the Cooperative’s following Director Districts in the Service Territory, and have his Principal Residence within that same Director District: Caroline, Cecil, Dorchester, Kent, Queen Anne’s, Somerset, Talbot, Wicomico, and Worcester Counties and Ocean Pines. The same requirement of residency and determination of place of Principal Residence that apply to a Director shall apply as to a member of the C&E Committee.
 - 3) **Rotating Terms.** Each Individual who was duly appointed, qualified and serving as a member of the C&E Committee when these Bylaws were adopted is hereby appointed to a term on the C&E Committee that shall begin at the date and time of such adoption and shall continue, unless he is sooner disqualified, until his successor from the same Director District is appointed and qualifies to serve on the C&E Committee. Thereafter, the members of the C&E Committee shall be appointed by the Board to serve a three (3) year term on the C&E Committee, each beginning on August 31 and ending on July 31 three (3) years thereafter or until his successor is appointed and qualifies to serve, with each such term to begin as follows:
 - a) The terms of the C&E Committee members who were appointed to the C&E Committee from the Dorchester, Kent, and Queen Anne’s

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

County Director Districts when these Bylaws were adopted shall end on July 31, 2018. The successors of those C&E Committee members shall be appointed from the same county to the C&E Committee for a three (3) year term beginning on August 1, 2018 and on August 1 every three (3) years thereafter.

b) The terms of the current C&E Committee members who were appointed from the Caroline, Wicomico and Worcester County and Ocean Pines Director Districts when these Bylaws were adopted shall end on July 31, 2019. The successors of those C&E Committee members shall be appointed from the same county to the C&E Committee for a three (3) year term beginning on August 1, 2019 and on August 1 every three (3) years thereafter.

c) The terms of the current C&E Committee members who were appointed from the Cecil, Somerset, and Talbot County Director Districts when these Bylaws were adopted shall end on July 31, 2020. The successors of those C&E Committee members shall be appointed from the same county to the C&E Committee for a three (3) year term beginning on August 1, 2020 and on August 1 every three (3) years thereafter.

4) ***Disqualification.*** The Board shall have the power to disqualify a C&E Committee member for cause by the affirmative vote of at least two-thirds (2/3) of the Directors physically present at or participating in a Board Meeting as permitted by Section 5.06, a, 2), after following the procedures equivalent to those described in Section 4.09, a.

5) ***Effect Of Committee Member Being Subject To Removal.*** The fact that a member of the C&E Committee fails to meet the qualifications prescribed by these Bylaws to be a member of that committee or the existence of any other grounds for removal of a member of that committee, and the fact that such committee member is subject to removal under any Section of this Article, shall not affect the validity of any action taken by that committee while that committee member was a member of that committee and participated in such action by that committee.

6) ***Vacancies on the C&E Committee.***

a) ***Vacancies.*** A vacancy exists on the C&E Committee upon: (1) the death of a member of the committee; (2) the written and signed resignation of a member of the committee delivered to the Board, the Chairman of 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 scheduled appointment of a committee member did not occur as provided in

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

Subsection a, 3) of this Section; (4) the disqualification of a committee member by the Board in accordance with Subsection a, 5) of this Section; or (5) an increase in the number of members on the committee.

- b) ***Filling of Vacancies.*** If a vacancy occurs on the C&E Committee the Board shall appoint a member of the committee to: (1) fill the vacancy for the remainder of the term for which the vacating committee member was appointed; (2) fill the full term from a Director District from which no committee member was appointed; or (3) fill the initial term in the case of an increase in the number of members of the committee.

- 7) ***Committee Purpose and Authority.*** 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.

- 8) ***Compensation.*** 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 Section, 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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:

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 by Law or in this Section, 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 from 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:

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 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 place of residence ("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 dwelling as his residence, the determination of which dwelling is his Principal Residence shall be that dwelling in which he has actually resided as his residence for more than 182 days during the 365 day period 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 continuously for at least three (3) years immediately before the date his term of office as a Director begins and continuously thereafter during his term of office as a Director;

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 2) With the exception of Temporary Service Interruptions, continuously Receive an Electricity Service at his Principal Residence;
 - 3) 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 in a manner he reasonably believes is in the best interests of the Cooperative;
 - 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, and with all 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;

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 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 the same calendar year 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. No nominations of a candidate for election as a Director shall be accepted from the floor of the Member Meeting or otherwise except by the process provided in this Section. A Member who meets all of the Director Qualifications, and who is seeking to be elected as a Director from 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 from which the Director Nominee is a resident conspicuously printed on each page, and containing the printed name, address, telephone number, one of the Member's Electricity Service Account numbers, and the original dated signature of the Director Nominee and at least fifteen (15) other Individuals who shall be Members on the last day on which the Nominating Petition is permitted to be filed according to Subsection a of this Section; all of whom shall have signed the Nominating Petition no more than one hundred sixty-five (165) days before the date of the next Annual Member Meeting;
 - 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 of the names of the Director Districts from which Directors are scheduled to be elected at the next Annual Member Meeting, either in a separate document, as part of a Cooperative publication or remotely accessible by an included digital link, to be Mailed or provided by Electronic Transmission to each Person who was a Member at any time during the calendar month immediately preceding calendar month during which such notices are sent in order to satisfy the deadline described above;
 - 2) At least seventy-five (75) days before the date of the next Annual Member Meeting;

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 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 to the Director Nominee by Mail or by Electronic Transmission to his address as shown on the Nominating Petition, stating the reasons for non-compliance and the date such notice is being sent; and
- 3) At least ten (10) days before the date of the next Annual Member Meeting:
- a) Cause notice to be Mailed, provided by Electronic Transmission or given by any other permissible means to all Members, providing the name of each Director Nominee who has timely submitted a Nominating Petition and who the C&E Committee has found to be in compliance with this Section (“Director Candidate”), the corresponding Director District from which each 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
 - b) Cause the information described in Subsection b, 3), a), of this Section to also be posted in a prominent public place at the principal office of the Cooperative and posted on the Cooperative’s website.

Section 4.06. **DIRECTOR ELECTIONS.**

- a. ***In General.*** Elections of Directors shall be conducted as follows:
 - 1) Except as otherwise provided by this Section, elections of Directors shall be conducted in accordance with Article III; with notice to the Members of the Director Candidates, the ballot form and voting procedures, voting by Members, and all other aspects of the elections of Directors to be held in conjunction with an Annual Member Meeting to be combined with and/or performed in the same manner as the notice to Members, the ballot form and voting procedures, voting by Members, and all other aspects of voting on any other matters submitted to a vote of the Members held in conjunction with that same Annual Member Meeting.

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 2) In each election of a Director from an individual Director District being held in conjunction with the same Annual Member Meeting, that Director shall be elected from among only those Director Candidates who were approved by the C&E Committee as Director Candidates from that same Director District. A vote in a Director election for anyone other than a Director Candidate who was approved by the C&E Committee as Director Candidate in that Director District election shall not be permitted or counted in that Director election or reported in the election results.
- 3) Except under circumstances expressly stated to the contrary in this Section, each election of a Director from an individual Director District shall be by Members from throughout the Cooperative, at large, with each qualified Member throughout the Cooperative being entitled to cast only one (1) vote in each such election. Cumulative voting shall not be permitted or counted.
- 4) In the event that there are more than two (2) Director Candidates approved by the C&E Committee running for election from the same Director District, then the Director Candidate who receives a plurality of all of the votes cast for all Director Candidates running for election from that same Director District shall be elected as the Director from that Director District.
- 5) In the event of two (2) or more Director Candidates running for election from the same Director District are tied for having received the highest number of votes in that Director election running at large and conducted pursuant to this Section, Subsection a, Paragraphs 1) through 4), then the winner of that Director election shall be declared at the Annual Member Meeting to be the Director Candidate who, among all of the Director Candidates who were tied for having received the highest number of votes at large in that Director election, received the highest number of votes from the Members who were, as of the Record Date relative to that election, residents of the Director District from which those Director Candidates are running for election.
- 6) A Director elected pursuant to this Section shall be elected to serve for the term as described for that Director District in Section 4.07, and until his successor is elected and qualified.
- 7) In the event that a Director election shall fail to be conducted or completed as scheduled on the day designated for the Annual Member Meeting, or at any adjournment thereof, then a Special Member Meeting shall be held within a reasonable time thereafter for the purpose of conducting or completing that Director Election.

b. ***Uncontested Director Elections.*** Except as otherwise provided by this Subsection

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

b, elections of Directors shall be conducted in accordance with Subsection a of this Section.

- 1) ***Authority of C&E Committee To Order Uncontested Director Election Procedures.*** The C&E Committee shall have the sole authority and discretion to order that all Director elections to be conducted in conjunction with the next Annual Member Meeting shall be conducted according to the procedures described in Subsection 3) (*Procedures For Uncontested Director Elections*) of this Subsection b. Any such order by the C&E Committee shall be subject to the following conditions:
 - a) Before the C&E Committee shall be permitted to issue such an order all conditions of Subsection 2) (*Conditions For Ordering Uncontested Director Election*) of this Subsection b shall be satisfied; and
 - b) To be effective such an order must be issued by the C&E Committee to the Chairman, the President & CEO, the Secretary and the Assistant Secretary of the Cooperative, and received by one of them on or before the ninetieth (90th) day before the next Annual Member Meeting scheduled date; and
 - c) At such time when the issuance and receipt of such a C&E Committee order is effective against the party or parties contracting with the Cooperative to perform services relating to the collection of ballots cast by Mail and/or Electronic Transmission, and/or the counting and/or tabulation of votes in such Director elections (collectively “Contracted Voting Services”) to permit the Cooperative to lawfully avoid a substantial part of the cost of such Contracted Voting Services relating to such Director elections.
- 2) ***Conditions For Ordering Uncontested Director Elections.*** Each of the following conditions shall be satisfied before the C&E Committee may order that the procedures described in Subsection 3) (*Procedures For Uncontested Director Elections*) of this Subsection b shall be followed in the Director elections to be conducted in conjunction with the next Annual Member Meeting:
 - a) The C&E Committee shall have completed its review of all timely filed Nomination Petitions relating to the elections to be conducted in conjunction with the next Annual Member Meeting;
 - b) The final status of the Director Nominee relating to each such Nomination Petition, whether approved as a Director Candidate, pursuant to Subsection 4.05, or disapproved, shall have been determined; and

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- c) There is no more than one (1) Director Candidate approved by the C&E Committee to run for election as the Director from the same Director District (an “Uncontested Director Election”) in any of the Director elections scheduled to be held in conjunction with the next Annual Member Meeting.
- 3) ***Procedures For Uncontested Director Elections.*** If properly and timely ordered by the C&E Committee in accordance with this Subsection b of this Section, Director elections to be conducted in conjunction with the next Annual Member Meeting shall be conducted according to the following procedures:
- a) In addition to the content of the notice of that Annual Member Meeting required by Section 3.04, that notice shall include an explanation to the Members, including the reasons, authority and factual bases, for using the Uncontested Director Election Procedures;
 - b) At that Annual Member Meeting each Director Candidate who is running for election unopposed shall be the subject of a motion to elect him to the Director District from which he is running for election, which may be either a separate motion relative to each Director Candidate running unopposed and voted on separately by the Members, or a joint motion moving the election of all such Director Candidates running unopposed to the respective Director Districts from which each Director Candidate was approved to run for election; which motions or motion;
 - c) All voting on such motion or motions shall occur during that Annual Member Meeting by Members attending that Annual Member Meeting in person at the time of the vote;
 - d) Voting on such motion or motions shall be conducted by taking a rising vote, a rising counted vote and/or by such other procedures for expeditiously and accurately taking the vote and determining the vote count as are recognized in Robert’s Rules of Order and are practical under the circumstances, as determined and announced by Chairman or such other person as may be appointed by the Chairman to preside over the such voting processes; and
 - e) Each such motion to elect one or more Director Candidates shall be decided by a majority of the votes cast at that Annual Member Meeting relative to that motion, with each Director so elected being elected to serve for the term as described for that Director District in Section 4.07.

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

Section 4.07. **TENURE.** A Director who is elected from a Director District shall be elected to serve from that Director District for a term of three (3) years or until the third succeeding Annual Member Meeting after the Annual Member Meeting at which he was elected and until his successor is duly elected or appointed and qualified. Director elections shall be conducted in conjunction with Annual Member Meetings, and shall be rotated as follows:

- a. Directors from the Director Districts of Dorchester, Kent, and Queen Anne's Counties were elected in 2018 to serve until the Annual Member Meeting to be held in 2021. These positions shall next be subject to election in 2021 and every three (3) years thereafter.
- b. Directors from 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 2016 to serve until the Annual Member Meeting to be held in 2019. These positions shall next be subject to election in 2019 and every three (3) years thereafter.
- c. Directors from the Director Districts of Cecil, Somerset, and Talbot Counties and Ocean Pines were elected in 2017 to serve until the Annual Member Meeting to be held in 2020. These positions shall next be subject to election in 2020 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 Member Meeting.

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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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. In this Section only "Cause" 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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, the Chairman of 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 scheduled election of a Director from a Director District which did not result in the election of a Director from that Director District according to these Bylaws; (4) the disqualification of a Director by the Board in accordance with Section 4.09; (5) the removal of a Director in accordance with Section 4.10; or (6) 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: (1) fill the vacancy for the remainder of the term for which the vacating Director was elected; (2) fill the full term from a Director District from which no Director was elected; or (3) fill 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 sent to each Director in writing either by personal delivery by Mail, or provided by Electronic Transmission, by or at the direction of the Secretary or Assistant Secretary, or upon the default thereof, by or at the direction of the Chairman or the Directors calling the Special Board Meeting. Such notice shall be sent by Mail or by Electronic Transmission to the Director 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 entire Board of 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 transaction of business ("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 to which such Board Meeting was adjourned.

b. Voting.

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 1) The act of a majority of the Directors physically present at or participating in a Board Meeting which constitutes a Director Quorum, 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, 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.

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 Section, 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 at which there is a Director Quorum 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 Law or 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 Law or 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 Law or 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 Law or 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 Law or 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 provided 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 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” means the sale, distribution, supply, provision and/or otherwise furnishing (collectively “Supply”) by the Cooperative to a Patron, and the purchase, receipt, acceptance, consumption and/or use (collectively “Receipt”) by that Patron, of an Electricity Service and/or an Other Cooperative Service.
 - 1) **Electricity Service.** The term “Electricity Service” means the Supply by the Cooperative to a Patron, and the Receipt by that Patron, of electricity and/or distribution of electricity.
 - 2) **Other Cooperative Service.** The term “Other Cooperative Service” means the Supply by the Cooperative in the normal course of its business to a Patron, and the Receipt by that Patron, of any product or service other than an Electricity Service.
- b. **Effect of Terminating Electricity Service On Other Cooperative Services.** With the exception of Temporary Service Interruptions, in the event that a Patron causes or permits his last remaining Electricity Service to be terminated, then all Other Cooperative Services being Supplied to him shall be terminated and all sums owed by him to the Cooperative relative to Other Cooperative Services shall be immediately due and payable by him to the Cooperative.

Section 7.03. PATRONS, MEMBERS, AND NON-MEMBER PATRONS.

- a. **Patron.** A patron of the Cooperative (“Patron”) during a Fiscal Year is any Person Receiving 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. **Non-Member Patron.** A non-member patron of the Cooperative (“Non-Member Patron”) during a Fiscal Year is any Person, other than a Member, Receiving 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) hereof, except as otherwise provided in or modified by Subsection 9.01, b (Further Agreements By Non-Member Patrons).
- c. **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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

(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.

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 and credit Capital Credits as follows: (a) in a manner that meets all requirements to maintain its federal income tax exemption under 26 U.S.C. § 501, (c), (12); (b) in compliance with the Act; and (c) as provided in this Section except to the extent this Section is in conflict with either of the two (2) preceding requirements as they may change or be amended from time to time. 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 that Fiscal Year, and shall allocate such earnings and losses, consolidated, separately or in combination, as follows:
 - 1) ***Operating Earnings (“Patronage Margin”).*** For each Cooperative Service (individually, or collectively if permitted by Law) Supplied during a Fiscal Year, the Cooperative shall equitably allocate to each Patron, in proportion to the 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 each Cooperative Service individually or for all Cooperative Services collectively means the amount by which the Cooperative’s operating revenues (also known as “patronage sourced revenues”) from Supplying those Cooperative Services exceed the Cooperative’s operating expenses, costs and reserves permitted by Law (also known as “patronage sourced expenses”) of Supplying those Cooperative Services.
 - 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 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 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.
 - 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 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. ***Minimum Amount of Capital Credits to be Allocated.*** The provisions of Subsection a of this Section notwithstanding, the minimum amount of capital credits that shall be allocated to Patrons pursuant to said Subsection a for a Fiscal Year shall be the greater of:
- 1) The total amount of the Operating Earnings and the Non-Operating Earnings allocated to Patrons pursuant to Paragraphs 1) and 2) of Subsection a this Section for that Fiscal Year, minus the amounts of the Operating Losses and the Non-Operating Losses allocated to Patrons pursuant to Paragraphs 3) and 4) of Subsection a of this Section for that Fiscal Year; or

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 2) The revenues of the Cooperative as determined according to Section 5-638 (Revenues of cooperative) of the Maryland Act for that Fiscal Year minus the amounts used for the purposes described in Section 5-638 (Revenues of cooperative), (a), of the Act.
- c. **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.
- d. **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.
- e. **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.
- f. **Authority Of Board To Allocate.** Subject to the Law and this Section, 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.
- g. **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 Receives 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 Section, the Cooperative may separately identify and allocate to the Cooperative’s Patrons this capital credit or similar amount allocated by the Affiliate Entity.
- h. **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 of the stated dollar amount of Capital Credits allocated to his

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

Capital Credits Account for that Fiscal Year, in writing, delivered in accordance with Section 3.04 (Notice Of Member Meetings), either by Mail in accordance with Subsection c, 2) of said Section, or by Electronic Transmission in accordance with Subsection c, 3) of said Section.

- i. ***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, subject to all other applicable terms and conditions of this Article, 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.

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 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 sends a retired Capital Credit payment to the Patron or former Patron, then the Cooperative shall initially send 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;

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 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 (½) 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

liquidation of the Cooperative, outstanding Capital Credits shall be retired in accordance with the Maryland Act, § 5-632.

- g. ***Capital Credit Recoupment and Offset.*** Notwithstanding any provisions of these Bylaws to the contrary, and regardless of any statute of limitations 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 at full value 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 at the time the Capital Credits are normally retired.
- 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 the Maryland Annotated Code ("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 Section of these 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 (collectively "Assets"), whether acquired or to be acquired, wherever located, and the revenues and income from Assets, to secure

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 written notice to the Cooperative’s Related Electric Cooperatives, if any, which 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(s); 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, vote and Proposed Transfer(s), all as required by these Bylaws and the Maryland Act, § 5-640; 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 the position(s) 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, 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 pursuant to the Maryland Act, § 5-640, (b), (2), if such Transfer is to:
 - a) Another Maryland Electric 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 to one or more of the Related Electric Cooperatives if the substantive effect thereof is to merge or consolidate the Cooperative with such one or more of the Related Electric Cooperatives and as the result of such merger or consolidation each such Related Electric Cooperative is or will become a Maryland Electric Cooperative.
- i. **Definitions.** For the purposes of this Section only:
- 1) **Related Electric Cooperatives.** "Related Electric Cooperatives" means the electric generation and transmission cooperative which is the

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

Cooperative's major source of electricity and the other electric distribution cooperatives for whom that same electric generation and transmission cooperative is their major source of electricity.

- 2) ***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
- 3) ***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 the Maryland Act, § 5-627 (Consolidation) or §§ 5-628 (Merger) and 5-629 (Effect of consolidation or merger), as applicable, the Cooperative and one or more other cooperatives, each of which is organized under or becomes subject to the Maryland Act in the manner provided therein (a "Maryland Electric Cooperative"), may consolidate to form a new consolidated cooperative (hereafter "Consolidation"), or may merge into another Maryland Electric Cooperative, or have one or more Maryland Electric Cooperatives merge into it (hereafter "Merger"), upon the following approvals:

- 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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 Patrons) of this Section, by and as a condition of his Receiving a Cooperative Service, voting in a Director election or on a motion or question submitted to a vote of the Members, accepting an allocation of a Capital Credit that is credited to his account for Capital Credits (“Capital Credits Account”), and/or accepting a payment for a retired Capital Credit, a Patron or a former Patron of the Cooperative thereby acknowledges and agrees that:
- 1) He shall be bound and abide by all of the terms and conditions of the Governing Documents, which 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 any state or federal Law;
 - 3) His right in and to any Capital Credits accrues, becomes redeemable, becomes payable and vests only upon the Cooperative retiring those 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.

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

- b. ***Further Agreements By Non-Member Patrons.*** By and as a condition of his Receiving a Cooperative Service, accepting an allocation of a Capital Credit that is credited to his Capital Credits Account, and/or accepting a payment for a retired Capital Credit a Non-Member Patron or a former Non-Member Patron thereby further acknowledges and agrees as follows:
- 1) To the same extent as a Member, a Non-Member Patron shall be subject to, abide by and be bound to all of the terms, conditions, duties, obligations, liabilities, and responsibilities imposed by the Governing Documents upon Members; and
 - 2) Except as otherwise provided by Law or as expressly stated to the contrary in a Governing Document, he 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 retirement of such Capital Credits allocated to him is authorized, in accordance with Section 7.07.
- c. ***Publication.***
- 1) The Cooperative shall cause all Governing Documents, as amended from time to time, and in addition thereto the language of Subsection a (Agreements By All Patrons) and Subsection b (Further Agreements By Non-Member Patrons) of this Section separately from the Bylaws, to be posted on its website;
 - 2) The Cooperative shall cause to be posted on the Cooperative's website the following text: "By exercising and/or accepting any of the rights and/or benefits of a Patron of the Cooperative or performing any of the duties of a Patron of the Cooperative according to the Governing Documents of the Cooperative, including but not limited to accepting the terms of a Cooperative membership certificate, Receiving Electricity Service Supplied by the Cooperative, paying for Electricity Service Supplied by the Cooperative, voting in an election or on a motion or issue submitted to a vote of the Members of the Cooperative held in conjunction with a Member Meeting, accepting a Capital Credit allocated to his Capital Credits Account, or accepting a credit on his Cooperative bill or negotiating a check to him for retirement of a Capital Credit allocated to his Capital Credits Account, a Patron of the Cooperative is agreeing to be bound by the terms of the Cooperative's Governing Documents. All of the Cooperative's Governing Documents, as amended from time to time, are posted on the Cooperative's website and are available from the

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

Cooperative's headquarters upon request in person, by telephone or via email."; and

- 3) The Cooperative shall cause the following text to be included in all Cooperative membership certificates, Cooperative applications for Cooperative Services, notices of Member Meetings, notices to Patrons of allocations of Capital Credits, and notices of payment of retired Capital Credits: "By exercising and/or accepting any of the rights and/or benefits or performing any of the duties of a Patron of the Cooperative according to the Governing Documents of the Cooperative, as described in or represented by this document, you are agreeing to be bound by the terms of the Cooperative's Governing Documents."

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 contrary to or 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.

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

subsidiaries, if any, as of the end of such Fiscal Year.

- c. A report of such audit by the certified public accountant shall be posted on the Cooperative's website within a reasonable time after a signed copy is furnished to the Cooperative by the auditor and shall be made available to the Members at the next Annual Member Meeting following the close of such Fiscal Year where it may be adopted by a vote of a majority of the Members present and voting on the question of such adoption at that Annual Member Meeting.

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 **NOTICES, COMMUNICATIONS AND REPORTS.** In these Bylaws, except as otherwise provided by Law or elsewhere in these Bylaws:

- a. ***Approved Types.*** A notice, communication or report from the Cooperative to one or more Patrons or former Patrons may be:
 - 1) Oral, written or Electronic; and
 - 2) Communicated: (a) in person; (b) by telephone, telegraph, teletype, facsimile or other form of wire communication; (c) by Mail or private national or international express mail or courier; (d) by Electronic Transmission or other form of wireless communication (which may include all or part of the notice or communication, with any remaining part thereof being in electronic document(s) attached to the wireless communication and/or on a website referred to by subject matter and website address or data link in the wireless communication); or (e) 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.
- b. ***Correct Address.*** A written notice, communication or report is correctly addressed to a Patron or former Patron if addressed to him at his Mailing address or Electronic Transmission address as appears in the records of the Cooperative.
- c. ***Patrons Affected.*** If correctly addressed and either sent, delivered or transmitted to a Patron or a former Patron, then a written or Electronic notice, communication, or report, regardless of whether sent, delivered or transmitted separately or with or as part of a publication or other document(s) regularly sent to Patrons, constitutes a written or Electronic notice, communication, or report to all Patrons and former Patrons: (1) residing at that address; and/or (2) having the same address shown in

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

the Cooperative records.

d. *Effective Date.*

- 1) An oral notice or communication is effective when communicated, if communicated in a comprehensible manner.
- 2) A written notice or communication is effective upon the earliest of:
 - (a) When received;
 - (b) If deposited in the Mail, correctly addressed and sent first class with postage prepaid, then five (5) days after being deposited in the Mail;
 - (c) If deposited in the Mail, correctly addressed and sent other than first class, registered, or certified with postage prepaid, then thirty (30) days after being deposited in the Mail; or
 - (d) If deposited in the Mail correctly addressed, sent by registered or certified Mail, return receipt requested and with postage prepaid, and if the return receipt is signed by, or on behalf of, the addressee, then on the date indicated on the return receipt.
- 3) A notice, communication or report which is correctly addressed and sent or provided by Electronic Transmission is effective when the Electronic sending thereof is completed unless, during the attempted sending or within ten (10) minutes after the apparent completion thereof, there is an Electronic or other indication that the Electronic Transmission of the notice or communication to the intended Electronic address failed to be completed; provided that if the Cooperative has received a written and signed request from a Patron or former Patron that notices or communications not to be sent or provided to him by Electronic Transmission, then the Cooperative may not thereafter send provide notices or communications to that Patron or former Patron by Electronic Transmission or rely on the above presumption of receipt of an Electronic Transmission by that Patron or former Patron unless such request is later rescinded by a signed writing by that Patron or former Patron delivered to the Cooperative.

- e. The Cooperative is not required to send or transmit additional notices or communications to a former Patron until the Cooperative receives a different address from that former Patron if: (1) the Cooperative sends or transmits two written or Electronic notices or communications to that 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

communications are returned to the Cooperative as undeliverable or the Cooperative is informed that neither notice or communication was deliverable, .

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) In this Section only, 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 any proceeding to the fullest extent now or hereafter permitted by, and in accordance with, Maryland 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 any proceeding to the extent permitted by, and in accordance with, Maryland 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 by Law or elsewhere in these

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

Bylaws, these Bylaws may be adopted, amended, repealed and/or revised (“Amended”) 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 and to the C&E Committee at the headquarters of the Cooperative at least one hundred sixty-five (165) days prior to the date of the Member Meeting at which the proposed motion to adopt, amend, repeal, and/or revise bylaws of the Cooperative is to be voted on, 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

BOARD RECOMMENDED 2018 BYLAWS AMENDMENTS

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, the text of the Bylaws with the proposed Amendments redlined, 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 by Law or 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.