

Bylaws

of

Sussex Rural Electric Cooperative

Sussex, New Jersey

“Owned by those it serves.”



With Amendments through June 1, 2015

Back Cover

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**BYLAWS
OF SUSSEX RURAL ELECTRIC COOPERATIVE**

ARTICLE I
Membership

SECTION 1. Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of Sussex Rural Electric Cooperative (hereinafter called the “Cooperative”) upon receipt of electric services (electric energy, electric distribution service or both) from the Cooperative, provided that he or it has first:

- (a) Signed and filed a written application for membership, in form prescribed by the Board of Directors (hereinafter the “Board”), with the Cooperative;
- (b) Either:
 - (i) Agreed to purchase from the Cooperative electric energy and electric distribution services within the Cooperative’s service territory as hereinafter specified (Full Service Member); or
 - (ii) Agreed to purchase from the Cooperative electric distribution services only for discrete segments of electric system facilities within or outside of the Cooperative’s service area (Electric Distribution Services Member);
- (c) Agreed to comply with and be bound by the Articles of Incorporation and the Bylaws of the Cooperative and any rules and regulations adopted by the Board; and
- (d) Paid the membership fee hereinafter specified.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in the Bylaws.

SECTION 2. Membership Certificates. Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman of the Board of Directors and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid for. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe.

SECTION 3. Joint Membership. A husband and wife, or any two adults resident at the same service location, may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted

for such membership. The term "member" as used in these Bylaws shall be deemed to include a husband and wife, or any two adults resident at the same service location, holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote; PROVIDED that if both are present but in disagreement on such vote, the written vote of both expressing opposite sides of the question shall neutralize said joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either but not both may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

SECTION 4. Conversion of Membership.

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse, or other adult resident at the same service location, to comply with the Articles of Incorporation, Bylaws and rules and regulations adopted by the Board of Directors. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.
- (b) Upon the death of either person who is party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in such manner as shall indicate the changed membership status, provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 5. Membership Fees. The membership fee shall be such amount as shall be specified by the Board of Directors from time to time, upon the payment of which a member shall be eligible for one service connection.

SECTION 6. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefore at rates which shall from time to time be fixed by the Board. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the Cooperative such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

The Cooperative will use reasonable diligence to preserve as nearly as possible the continuity of its service. But in the event of failure of service in whole or in part, it shall not be subject to any liability, penalty or payment for or on account of any such failure, and in no event shall the Cooperative be liable for consequential damages. The Cooperative may interrupt service to any consumer or consumers in the event of emergency threatening the integrity of its system or to aid in the restoration of service if, in its sole judgment, such action will alleviate the emergency condition or enable it to continue or restore service consistent with the public welfare.

SECTION 7. Termination of Membership.

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

(b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member of his estate from any debts due the Cooperative.

(c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him provided, however, that the Cooperative shall deduct from the amount of the

membership fee the amount of any debts or obligations owed by the member to the Cooperative.

ARTICLE II **Rights and Liabilities of Members**

SECTION 1. Property Interest of Members.

Upon dissolution - after

- (a) all debts and liabilities of the Cooperative shall have been paid; and
- (b) all capital furnished through patronage shall have been retired as provided in these Bylaws - the remaining property and assets of the Cooperative shall be distributed among the members and former members, in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten years next preceding the date of the filing of the Certificate of Dissolution or, if the Cooperative shall not have been in existence for such period, during the period of its existence.

SECTION 2. Non-liability for Debts of the Cooperative. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III **Meeting of Members**

SECTION 1. Annual Meeting. The annual meeting of the members shall be held after June 1 and no later than October 15 of each year, beginning with the year 2004, at such place within a county served by the Cooperative, as selected by the Board and which shall be designated in the notice of the meeting, for the purpose of electing Board members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. Special Meetings. Special meetings of the members may be called by resolution of the Board or upon a written request signed by any three Board members, by the Chairman of the Board of Directors, or by ten per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties serviced by the Cooperative as designated by the Board, and shall be specified in the notice of the special meeting.

SECTION 3. Notice of Members' Meetings. Written or printed notice stating the place, day and hour of the meeting, and in the case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than twenty nor more than sixty days before the date of the meeting. When such meeting is called by resolution of the Board, or upon a written request signed by any three of its members or by the Board Chairman, said notice shall be delivered not less than ten days nor more than twenty-five days before the date of the meeting. Notice shall be delivered personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in United States Mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. Quorum. If the total number of members shall exceed one thousand (1,000) then at least one hundred (100) of the members present in person shall constitute a quorum for the transaction of business at all meetings of the members. In case of a joint membership, the presence at a meeting of either joint member or both shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice.

SECTION 5. Voting. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting, except as otherwise provided by law, the Articles of Incorporation or these Bylaws. Voting by proxy will not be permitted. A member may vote or act by mail or electronic transmission only as provided in these Bylaws and at a time and manner approved by the Board.

(a) A member may vote or act by mail or electronic transmission only on an action that may be taken at the Member Meeting in conjunction with said meeting by the Cooperative delivering a ballot in the approved medium (mail or electronic) to each Member entitled to vote on the matter. A Member submitting a completed mail or electronic ballot may not vote at the Member Meeting regarding a matter described in the mail or electronic ballot. The Cooperative may, at its discretion, count completed mail or electronic ballots received before the Member Meeting in determining whether a Member Quorum exists at the Member Meeting. The Cooperative must count as a Member's vote a properly completed mail or electronic ballot received on, or before, the time and date stated in said ballot.

(b) A mail or electronic ballot must:

- (1) Set forth and describe a proposed action, identify a candidate, and include the language of a motion, resolution, Bylaw Amendment, or other written statement, upon which a Member is asked to vote or act;
- (2) state the date of a Member Meeting at which Members are scheduled to vote or act on the matter;
- (3) provide an opportunity to vote for, against or to abstain from voting on, the matter;
- (4) instruct the Member how to complete and return the ballot; and state the time and date by which the Cooperative must receive the completed ballot.

Except as otherwise provided by the Board, a Member may not revoke a completed mail or electronic ballot received by the Cooperative. A Member's failure to receive a ballot does not affect a vote or action taken by electronic or mail ballot.

Failure of the Member to complete the ballot properly does not affect a vote or action taken by electronic or mail ballot.

The Cooperative is not obligated to inform a Member that their ballot has been received or that it has been completed properly.

A mail or electronic ballot may not be procured or cast through fraud or other improper means. As determined by the Cooperative, a mail or electronic ballot procured or cast through fraud or other improper means is invalid.

SECTION 6. Order of Business. The order of business at the annual meetings of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meetings.

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

6. Unfinished business.

7. New business.

8. Adjournment.

ARTICLE IV **Directors**

SECTION 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of nine directors which shall exercise all of the powers of the Cooperative except as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

SECTION 2. Election and Tenure of Office. The persons named as directors in Articles of Incorporation shall compose the Board of Directors until the first annual meeting or until their successors shall have been duly elected and shall have qualified. All directors shall be elected in rotation by secret ballot at the first annual meeting of the members, beginning with the year 1941, in the following manner:

Three directors for a period of one year; three directors for a period of two years and three directors for a period of three years and thereafter from year to year, three directors shall be elected for a period of three years at each annual meeting. If an election of directors shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing directors within a reasonable time thereafter. Directors shall be elected by a plurality vote of the members and shall serve until a successor is duly elected and duly qualifies. At any election of directors, in which no contest is presented, the Secretary may be directed to cast a unanimous ballot for each of the candidates standing for election upon passage of an appropriate motion by the membership.

SECTION 3. Qualifications. No person shall be eligible to become or remain a director of the Cooperative who:

(a) is not a member and not a bona fide year round resident consumer at his actual home residence in the area served or to be served by the Cooperative; or

(b) is in any way employed by or financially interested in a competing enterprise or a business selling electric energy, or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative; or

(c) lacks the capacity to enter legal binding contracts and to discharge competently the duties of the Office of Director; or

- (d) has been convicted of a felony or of any crime or misdemeanor involving moral turpitude; or
- (e) is employed by the Cooperative or a Subsidiary of the Cooperative or has been so employed within three years previous to nomination for Director; or
- (f) is receiving retirement benefits from the Cooperative or any Subsidiary thereof; or
- (g) is a close relative of a Cooperative Director, Officer or Employee; or
- (h) is employed by or receives more than ten percent of said nominee's annual gross income from another Director or an entity controlled by another Director.

Upon establishment of the fact that a Board member is holding the office in violation of any of the foregoing provisions, the Board shall remove such Board member from office.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

SECTION 4. Nominations. It shall be the duty of the Board of Directors to appoint annually, not later than the monthly meeting of the Board of Directors in January of each year, a committee on nominations consisting of not less than five, nor more than eleven, members of the cooperative who shall be selected from diverse segments of the Cooperative's service area so as to afford equitable geographic representation. No member of the Board of Directors may serve on such committee. The committee, keeping in mind the principle of geographical representation, shall prepare and post at the principal office of the Cooperative at least twenty days before the meeting a list of nominations for directors which may include a greater number of candidates than are to be elected. Any fifteen (15) or more members acting together may make other nominations by a nominating petition delivered not less than sixty (60) days prior to the annual meeting of the Cooperative to the Secretary of the Cooperative in the following described format:

- (a) listing, on each page of the Petition, the name of the Petition Nominee, the District and Director position for which nominated;
- (b) signed by at least fifteen (15) Members of the Cooperative, all of whose signatures must be affixed and dated within the sixty (60) day period immediately prior to the submission of the petition; and
- (c) containing, opposite each signature, the name, address and telephone number of each signer.

The Secretary shall be responsible for the posting of such Petition nominations at the same place where the list of nominations made by the committee is posted. The Secretary shall be responsible for the mailing with the notice of the meeting or separately, but at least seven days before the date of the meeting, a statement of the number of directors to

be elected and the names and addresses of the candidates, specifying separately the nominations made by the Committee on Nominations and also the nominations made by petition, if any.

SECTION 5. Removal of Directors.

I. Removal by Member Petition. Any member may bring charges against a Director and, by filing with the Secretary such charges in writing, together with a Petition signed by at least ten percent of the members, may request the removal of such Director for cause by reason thereof. The format of said Director Removal Petition to be filed by such member with the Secretary shall be as follows:

- (1) Each page shall identify the Director whose removal is sought;
- (2) The Petition shall clearly explain the basis for the removal of said Director;
- (3) The printed name and address as well as the date of each signature shall be set forth opposite the signature of the Petitioning member;
- (4) All signatures to the Petition shall be dated within the sixty (60) day period immediately prior to the date upon which said Petition is filed with the Secretary;
- (5) The proper original and dated signatures of at least ten percent of the Cooperative's membership, determined as of the date of the Petition, shall be set forth on the Petition.

Within thirty (30) days after the Secretary's receipt of a properly prepared and submitted Director Removal Petition:

- (1) The Cooperative shall forward a copy of said Petition to the Board of Directors and to the implicated Director; and
- (2) The Board of Directors shall meet to review the Director Removal Petition.

Member Meeting. If the Board determines that Director Removal Petition has been prepared and submitted in accordance with the Bylaws the Cooperative shall give notice and hold a Special Membership Meeting within sixty (60) days following the Board's determination. Notice of said Member Meeting shall state that:

- (1) The purpose of the Member Meeting is to consider the removal of a Director pursuant to a Director Removal Petition signed by at least ten percent of the membership;
- (2) That evidence may be presented and a member vote taken regarding the Director's removal;

If a quorum of Members is present in person at the Member Meeting the following shall be undertaken:

- (1) The meeting shall be chaired by the Chairman of the Cooperative or his/her designee;
- (2) Before a vote of members, evidence must be presented by the Petitioning members in support of the claim for said Director's removal;
- (3) The implicated Director may be represented by legal counsel of his/her choice and shall have the opportunity to refute the claims made against him/her as may be deemed relevant;
- (4) Following presentations by the petitioning members and the implicated Director, if any, and such discussion among the members as shall ensue, the quorum of members present shall vote whether or not said Director shall be removed;
- (5) If a majority of the members present shall vote for the removal of the implicated Director said Director shall be deemed removed effective as of the time of the vote. The unexpired term of the implicated Director so removed may be filled by the Board of Directors thereafter.

II. Removal by Board of Directors. Following not less than ten days written notice of the charges made and an opportunity to be heard at a hearing held at the conclusion of said period any Board member, upon the affirmative vote of at least two-thirds of the members of the Board, at a Special Meeting duly held, may be removed from the Board if he or she has:

- (a) Been declared incapacitated or of unsound mind; or
- (b) Been convicted of a felony or crime involving moral turpitude; or
- (c) Violated a fiduciary duty; or
- (d) Engaged in self dealing; or
- (e) A conflict of interest, whether described in Section 3 (b) of this Article, or otherwise; or
- (f) Engaged in personal conduct which has or is likely to impugn the integrity of that member, any other member or members or the Board itself.

A vacancy created by the removal of a Director by the remaining members of the Board of Directors may be filled by said Board of Directors for the unexpired term of the Directors so removed.

SECTION 6. Vacancies. Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term.

SECTION 7. Compensation. Board members shall not receive any salary for their services as such, except as hereinafter provided. The Board of Directors may by resolution authorize a fixed fee for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences and training programs or performing committee assignments when authorized by the Board. Board members may also be reimbursed for expenses actually and necessarily incurred in carrying out Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. In addition, as determined by resolution of the Board of Directors, directors shall receive, as additional compensation, such life, health and accident insurance as may be determined by the Board of Directors.

PROVIDED that a director who is also an officer of the Board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs or otherwise, as authorized by the Board of Directors, may be compensated in such amount as shall be fixed and authorized by the Board of Directors for the performance of said duties.

Except as aforesaid, no Board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a Board member receive compensation for serving the Cooperative, unless the payment and the amount of compensation shall be specifically authorized by a vote of the members, or the service by the Board member or his close relative shall have been certified by the Board as an emergency measure.

SECTION 8. Districts. The territory served or to be served by the Cooperative shall be divided into three districts. Each district shall be represented by three Directors who must be a bona fide year round resident consumer therein. Said three districts of the Cooperative shall continue to be designated, laid out and composed of the areas included within the County of Sussex and the State of New Jersey and the County of Orange and the State of New York, as described and set forth on the map annexed hereto entitled "Directors District Map, Sussex Rural Electric Cooperative."

SECTION 9. Rules, Regulations, Tariffs, Rate Schedules and Contracts. The Board of Directors shall have power to make, adopt, amend, abolish, publish and promulgate such rules, regulations, rate schedules, tariffs, contracts and other requirements and understandings, and to implement and adopt such systems and procedures as it may deem advisable or appropriate for the management, administration and regulation of the business and affairs of the Cooperative.

ARTICLE V **Meetings of Board**

SECTION 1. Regular Meetings. A regular meeting of the Board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board shall also be held monthly at such time and place within one of the counties served by the Cooperative as designated by the Board. Such regular

monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. Special Meeting. Special meetings of the Board may be called by the Chairman of the Board of Directors or by any three Board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chairman of the Board of Directors or Board members calling the meeting shall fix the time and place of the holding of the meeting.

SECTION 3. Notice of Board Meetings. Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Board member either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairman of the Board of Directors or the Board member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Board member at his/her address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

SECTION 4. Quorum. A majority of the Board shall constitute a quorum, provided, that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Board members of the time and place of such adjourned meeting. The act of a majority of the Board members present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws.

ARTICLE VI **Officers**

SECTION 1. Number. The officers of the Cooperative shall be a Chairman of the Board of Directors (herein referred to as "Chairman"), a Vice Chairman of the Board of Directors (herein referred to as "Vice Chairman"), President, Secretary, Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The offices of Secretary and of Treasurer may be held by the same person.

SECTION 2. Election and Term of Office. The officers shall be elected by ballot, annually by and from the Board at the meeting of the Board held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently can be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 3. Removal of Officers and Agents by Directors. Any officer or agent elected or appointed by the Board of Directors may be removed for cause by the Board of

Directors whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges for cause against an officer and, by filing with the Chairman or Secretary such charges in writing, together with a petition signed by ten per centum of the members, may request the removal of such officer for cause. The officer, against whom such charges have been brought, shall be informed in writing of the charges at least ten days prior to the Board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. In event the Board does not remove such officer, the question of his removal for cause shall be considered and voted upon at the next meeting of the members.

SECTION 4. Chairman. The Chairman shall:

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

SECTION 5. Vice Chairman. In the absence of the Chairman, or in the event of his inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman. The Vice Chairman shall also perform such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6. Secretary. The secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;

- (c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to the issue thereof, and to all documents, the execution of which, on behalf of the Cooperative, under its seal, is duly authorized in accordance with the provisions of these Bylaws;
- (d) keeping a register of the names and post office addresses of all members;
- (e) signing, with the Chairman, certificates of membership, the issue of which shall have been authorized by the Board or the members;
- (f) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member), and at the expense of the Cooperative, furnishing a copy of the Bylaws and of all amendments thereto to any member upon request; and
- (g) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board.

SECTION 7. Treasurer. The treasurer shall be responsible for:

- (a) custody of all funds and securities of the Cooperative;
- (b) the receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and
- (c) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board.

SECTION 8. President. The Board of Directors may appoint a President, who shall be Chief Executive Officer and who may be, but shall not be required to be, a member of the Cooperative. Such officer shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to time vest in him.

SECTION 9. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

SECTION 10. Compensation. The powers, duties, and compensation of officers, agents and employees shall be fixed by the Board of Directors, subject to the provisions of these Bylaws with respect to compensation for directors and close relatives of directors.

SECTION 11. Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII **Non-profit Operation**

SECTION 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 2. Patronage Capital in Connection with Furnishing Electric Services. In the furnishing of electric services, the Cooperative's operation shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric services in excess of operating costs and expenses properly chargeable against the furnishing of electric services. All such amounts, in excess of operating costs and expenses at the moment of receipt by the Cooperative, are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall, within a reasonable time after the close of the fiscal year, notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so, and the patron had then furnished the Cooperative corresponding amounts for capital.

Patronage Capital furnished by Electric Distribution Services Members shall be received, allocated and retired so that Electric Distribution Services Members will separately furnish capital for the Cooperative with appropriate reserves. Revenues derived from Electric Distribution Services Members in excess of the cost of electric services provided to such members shall be allocated, retired and otherwise dealt with in accordance with these Bylaws, provided, however, that the Board shall have the power to adopt separate rules applicable only to receipt, allocation and retirement of Electric Distribution Services Members' patronage capital. Such rules shall provide for allocation

of Electric Distribution Services patronage capital, and capital credits resulting as well as charges against the same, once allocated, for all costs including capital costs, losses and overheads which are specific to the provision of operation and maintenance services to Electric Distribution Services Members. Such rules shall:

- a) Establish a method for determining the capital to be credited to each Electric Distribution Services Member for each applicable fiscal year;
- b) Provide for separate identification on the Cooperative's books of the Electric Distribution Services capital credited to the Cooperative's patrons;
- c) Provide for appropriate notifications to patrons with respect to the Electric Distribution Services portion of capital credited to their accounts; and
- d) Preclude a general retirement of the Electric Distribution Services portion of capital credited to patrons for any fiscal year prior to the general retirement of the other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year except that said rules may provide for the reduction of capital credits previously allocated to Electric Distribution Services Members by charges against said capital credits resulting from unanticipated costs, losses, overheads and expenses specific to Electric Distribution Services.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be:

- e) Used to offset any losses incurred during the current or any prior fiscal year; and
- f) To the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

In the event of a dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired, without priority on a pro rata basis before any payments are made on account of property rights of members. If at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. Capital credited to the account of each patron may be retired by payment to such patron or the estate of such patron, or by application thereof as an offsetting credit toward satisfaction of any amounts owed by the patron to the Cooperative. Except where retirement is accomplished by application of allocated capital credits as an offsetting credit toward amounts owed by the patron to the Cooperative pursuant to Board Resolution, any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired; provided, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply portion") of

capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by Allegheny Electric Cooperative or any other organization furnishing electric service to the Cooperative. Such rules shall:

- a) Establish a method for determining the power supply portion of capital credited to each patron for each applicable fiscal year;
- b) Provide for separate identification on the Cooperative's books of the power supply portion of capital credited to the Cooperative's patrons;
- c) Provide for appropriate notifications to patrons with respect to the power supply portion of capital credited to their accounts; and
- d) Preclude a general retirement of the power supply portion of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year.

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

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

The Cooperative may regularly impose a reasonable dormancy or service charge for each year a Patron or former Patron fails to claim Capital Credits retired and paid to the Patron or former Patron. Through a voluntary written assignment signed by a Patron or former Patron, which assignment is revocable and is not a condition of the Cooperative Providing a Cooperative Service to the Patron, the Patron or former Patron may assign or transfer to the Cooperative any past, present or future Capital Credits retired and paid to the Patron or former Patron, but not claimed by the Patron or former Patron within three years of retirement and payment, provided the Cooperative undertook or undertakes reasonable measures to notify the Patron or former Patron of retired and paid Capital Credits. As allowed by Law, the Cooperative may retain Capital Credits retired and paid to a Patron or former Patron, but not claimed by the Patron or former Patron within three years of retirement and payment.

Notwithstanding any other provisions of the Bylaws, the Board shall have at its power, the right to offset any and all write-offs against existing Capital Credits provided, however that the financial condition of the Cooperative will not be impaired thereby.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative, by posting in a conspicuous place in the Cooperative's office.

ARTICLE VIII **Disposition of Property**

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

Supplementary to the foregoing, no sale, mortgage, lease or other disposition of all or any substantial portion of the Cooperative's property shall be made (other than to secure an indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof or to the National Rural Utilities Cooperative Finance Corporation or any instrumentality or agency thereof, as aforesaid) except upon the following procedures:

1. If the Board looks with favor upon any proposal for such sale, lease, exchange, transfer or other disposition, it shall first cause three independent and nonaffiliated

appraisers, expert in such matters, to render their individual written appraisals as to the value of the Cooperative's property, with respect to such sales or other disposition.

2. Upon receipt of said appraisals, the Board shall determine whether the proposal shall be submitted for consideration by the members and shall solicit offers, in writing, from every other electric cooperative within reasonable economic distance, as determined by the Board of Directors, which cooperative shall be given not less than thirty days during which to submit competing proposals.

3. Following the Board's determination to submit the proposal to the membership for consideration and its receipt of competing proposals, if any, solicited as aforesaid, the Board shall notify the members not less than sixty days prior to holding a special meeting of the members, at which meeting the sale shall be considered. Said notice of meeting shall express in detail all of the proposals received, as well as the substance of appraisals received as aforesaid and such other information as the Board shall feel appropriate.

The provisions of the foregoing shall not apply to any sale, mortgage or other disposition to one or more electric cooperative, if the substantive or actual legal effect thereof is to merge or consolidate the Cooperative with such other one or more electric cooperative nor to any sale or transfer or other disposition of less than a substantial portion of the Cooperative's property.

Notwithstanding the foregoing, upon a determination by the Board of Directors that a particular article of real or personal property is neither used nor useful in the sale and distribution of electricity, the property may be sold and the foregoing provisions of Article VIII shall not apply except that said property shall thereupon be deemed to constitute less than a substantial portion of the Cooperative's property for purposes thereof. No portion of the proceeds of any such sale shall be used for capital credit allocation or retirement unless the Board of Directors shall, by specific resolution, direct that the same shall be done.

ARTICLE IX **Seal**

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, New Jersey 1937."

ARTICLE X **Financial Transactions**

SECTION 1. Contracts. Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 2. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed and/or countersigned by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

SECTION 3. Deposits. All funds, except petty cash, of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board may select.

SECTION 4. Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

ARTICLE XI **Miscellaneous**

SECTION 1. Waiver of Notice. Any member or Board member may waive, in writing, any notice of a meeting required to be given by these Bylaws. The attendance of a member or Board member at any meeting shall constitute a waiver of notice of such meeting by such member or Board member, except in case a member or Board member shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

SECTION 2. Accounting System and Reports. The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The Board shall also, after the close of each fiscal year, cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative, as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting.

SECTION 3. Area Coverage. The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who:

- (a) desire such service; and
- (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

ARTICLE XII

Amendments

These Bylaws may be altered, amended or repealed by the members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

Directors District Map

