

BY-LAWS
of
MOUNTAIN ELECTRIC COOPERATIVE

Amended Version dated September 18, 1999

ARTICLE I
MEMBERSHIP

Section 1.01: Eligibility

Any natural person, firm, association, corporation, cooperative, business trust, partnership, federal, state, or local government or departments, agencies or any other political subdivision thereof (each hereinafter referred to as "person", "applicant", "him" or "his") shall be eligible to become a member of, and at one or more premises, owned or directly occupied or used by him, to receive electric service and, if applicable or other services from Mountain Electric Cooperative, Inc. (hereinafter called the "Cooperative"). No person shall hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable.

Section 1.02: Application for Membership; Renewal of Prior Application

Application for membership wherein the applicant shall agree to purchase electric power and energy and, if applicable, other services from the Cooperative and to be bound by and to comply with all of the provisions of the Cooperatives Charter (including Articles of Conversion) and By-laws, and all rules, regulations, rate classifications and rate schedules established pursuant thereto, as all of the same then exist, or may thereafter be adopted or amended (the obligations embraced by such agreement being called "membership obligations"), shall be made in writing on such form as is provided therefore by the Cooperative. With respect to any particular classification of service for which the Board of Directors shall require, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided by the Cooperative. The membership application shall be accompanied by the membership fee as hereinafter set forth, together with any service, security deposit, service connection deposit fees, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative, (which fee shall be refunded in the event the application is not approved). Any former member of the Cooperative may, by the sole act of paying a new membership fee and any outstanding account, together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction or any other fee that may be required by the Cooperative, renew and activate any prior application for membership to the same effect as though such application had been newly made on the date of such payment.

Section 1.03: Membership Fee, Service Security and Facilities Extension Deposits, Contribution in aid of Construction.

The membership fee shall be as fixed from time to time by the Board of Directors, and shall, together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction or any combination thereof if required by the Cooperative, entitle the member to one (1) service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative, together with a service security deposit, a facilities extension deposit or a contribution in aid of construction if required by the Cooperative, shall be paid by the member for each additional service connection requested by him.

Section 1.04: Acceptance in the Membership

Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically become a member on the date of his connection for electric service; provided, the Board of Directors may, by Resolution, deny an application and refuse to extend service upon its determination that the applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application should be denied for other good cause as determined by the Board of Directors. If the Board refuses membership to any applicant, then the Cooperative shall return to the applicant any amounts paid to the Cooperative by the applicant as a part of the membership application

other than amounts paid for using, receiving or purchasing any Cooperative service and outstanding amounts previously owed to the Cooperative and any associated interest or late payment charges.

Section 1.05: Joint Memberships

A husband and wife, or any two or more natural persons joined in a legal relationship principally residing at the same location, may by specifically so requesting in writing, be accepted into joint membership or if one of them is already a member, may convert such membership into joint membership by written request and by jointly executing a new membership application. The words "member", "applicant", "person", "his" or "him" as used in these by-laws shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities, and liabilities of membership shall apply equally, severally, and jointly to them. Without limiting the generality of the foregoing –

- (a) The presence at a meeting of either, both or all shall constitute the presence of one member and a joint waiver of notice of the meeting;
- (b) The vote of either, both or all shall constitute respectively one joint vote;
- (c) Notice to, or waiver of notice signed by either, both or all shall constitute respectively a joint notice or waiver of notice;
- (d) Suspension or termination of any manner of either or any shall constitute suspension or termination of the joint membership;
- (e) Either, but not both or all concurrently, shall be eligible to serve as a director of the Cooperative but only if he meets the qualifications required therefor.
- (f) Upon the death of either spouse who is a party to the joint membership or of other member of such joint membership, such membership shall be held solely by the survivor(s), provided, however that the estate of the deceased shall not be released from any debts due the Cooperative.
- (g) Unless the circumstances indicated otherwise, in the case of husband and wife, an application for membership signed by either spouse shall be presumed to be for a joint membership of both spouses.

Section 1.06: Purchase of Electric Power and Energy; Services from Cooperative; Power Production by Member; Application of Payments to all Accounts.

The Cooperative shall use reasonable diligence to furnish its members with adequate and dependable electric service, (and, if applicable, other services) although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership, unless and except, to the extent that the Board of Directors may, in writing, waive such requirement, and shall pay therefore at the times and in accordance with the rules, regulations, rate classifications, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02 above. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative, any payment by him for service from the Cooperative shall be deemed to be allocated and credited on a pro-rata basis to his outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and pro-ration.

Section 1.07: Excess Payments to be Credited as Member-Furnished Capital.

All amounts paid for electric service in excess of the cost thereof shall be treated as member-furnished capital as hereinafter provided for in Article IX of these By-laws.

Section 1.08: Wiring of Premises, Responsibility Therefore and for Meter Tampering, By-Passing, and Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification

Each member shall cause all premises receiving electric service, pursuant to his membership to become and to remain wired in accordance with the specifications of the National Electrical Code, any applicable state code or local government ordinances, and of the Cooperative. If the foregoing specifications are variant, the more exacting standard shall prevail. Each member shall be responsible for and shall indemnify the Cooperative and its employees, agents, and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of such premises and any wiring and apparatus' connected thereto or used thereon. Each member shall make available to the Cooperative, a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electrical service or any other services provided by Cooperative, and shall permit Cooperative's authorized employees, agents and independent contractors to have safe access thereto for meter reading and bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of, or causing damage to such facilities and shall use his best efforts to prevent others from so doing. Each member shall also provide such protective devices to his premises, apparatus' or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the members reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom including, but not limited to, the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any over charges for service which may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative extend beyond the point of delivery.

Section 1.09: Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Programs

Each member shall, upon being requested so to do by the Cooperative, execute and deliver to the Cooperative grants of easement or rights-of-way over, on or under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions as the Cooperative shall require for the furnishing of electric service to him or other members or for the construction, operation and maintenance and relocation of the Cooperative's electric facilities. Each member shall participate in any required program and comply with related rates and service rules and regulations that may be established by the Cooperative to enhance load management more efficiently to utilize or conserve electric energy or to conduct load research. To the extent practicable, all easements granted by members shall be placed in such a manner as to cause the least inconvenience to the member and the member's property.

Section 1.10: Service to Non-Member Patrons

Unless otherwise provided by the Board of Directors, service may be rendered to non-members provided that Cooperative receives at least 85 percent of its income from amounts collected from members for the sole purpose of meeting losses and expenses. A person desiring service as a non-member patron shall make written application for such service on such form as provided therefor by the Cooperative wherein such person shall agree to purchase electric power and energy from the Cooperative and to be bond by and to comply with all of the provisions of the Cooperative's Charter (including articles of conversion or amended charter) and By-Laws and all rules, regulations, rate classifications, and rate schedules established pursuant thereto as all the same then exist or may thereafter be adopted or amended. A non-member patron shall not have the right to vote for the directors/trustees of the Cooperative or to vote upon any other matter.

ARTICLE II.

RIGHTS AND LIABILITIES OF MEMBERS, MEMBERSHIP SUSPENSION AND TERMINATION

Section 2.01: Property Interests of Members

Members shall have no individual or separate interest in the property or assets of the Cooperative except that, upon dissolution, the property and assets of the Cooperative remaining after all debts and liabilities of the Cooperative are paid shall be distributed as provided for *in Section 65-25-220(b)(2), Tennessee Code Annotated*, as the same may be, from time to time, amended. 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 individually liable or responsible for any debts or liabilities of the Cooperative.

Section 2.02: Suspension; Reinstatement

Upon his failure, after the expiration of the initial time limit prescribed, either in a specific notice to him or in the Cooperative's generally publicized applicable rules and regulations, to pay any amounts due to the Cooperative or to cease any other non-compliance with his membership obligations, a person's membership shall automatically be suspended and he shall not during such suspension be entitled to receive electric service or, if applicable, other services from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatements and/or cessation of any other non-compliance with his membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the membership, in which event, the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meetings of its members.

Section 2.03: Termination by Expulsion; Renewed Membership

Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 2.02 above, he may without further notice, but only after due hearing if such is requested by him, be expelled by Resolution of the Board of Directors at any subsequently held regular or special meeting of the Board. After expulsion of a member he may not again become a member except upon new application therefor duly approved as provided in these by-laws; but the Board of Directors, acting upon principals of general application in such cases may establish such additional terms and conditions for renewed membership as it determines to reasonably necessary to assure the applicant's compliance with all of his membership obligations.

Section 2.04: Termination by Withdrawal or Resignation

A member may withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to be or with the approval of the Board of Directors resigning his membership in favor of a new applicant who also shall own or directly occupy or use all premises being furnished electric service pursuant to his membership, or (b) when the Board of Directors specifically waives such condition abandoning totally and permanently the use of central station electric service on such premises.

Section 2.05: Termination by Death or Cessation of Existence; Continuation of Membership and Remaining or new Partners

The death of a natural person member shall automatically terminate his membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership; provided however, that upon dissolution for any reason of a partnership or upon death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly occupy or use the premises being furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners; provided further that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative.

Section 2.06: Effect of Termination

Except as provided by Section 2.08, upon the termination of any manner of a person's membership, he, or his estate as the case may be, shall be entitled to refund of his membership fee and to his service security deposit, if any, theretofore paid by the Cooperative less any amounts due the Cooperative; but neither he nor his estate shall be released from any

debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or expulsion of a member, such suspension or expulsion shall not, unless the Board of Directors shall expressly so elect, constitute a release of such person from his membership obligations as to entitle him to purchase from any other person any central station electric power and energy for use of the premises to which such service has theretofore been furnished by the Cooperative pursuant to such membership.

Section 2.07: Effect of Death, Legal Separation or Divorce upon a Joint Membership

Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor in the same manner and to the same effect as though such membership had not been previously jointly held, provided however, that the estate of the deceased spouse shall not be released from any debts or other obligations due the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership in the same manner and to the same extent as though such membership had never been joint provided however, that the absent spouse shall be not be released from any debts due the Cooperative.

Section 2.08: Effect of Death of Member leaving a Surviving Spouse; Refund or Transfer of Membership Fee

Upon the death of a member who leaves a surviving spouse when the membership was not joint, the surviving spouse shall be entitled to a refund of the deceased member's membership fee and security deposit, if any, theretofore paid the Cooperative, less any amounts due the Cooperative; however, in the event the surviving spouse then desires to become a member of the Cooperative, he or she may request that the deceased spouse's membership fee and security deposit, if any, theretofore paid the Cooperative not be refunded, but instead be transferred upon the Cooperative's records to the credit of the surviving spouse.

Section 2.09: Board Acknowledgement of Membership Termination; Acceptance of Member Retroactively

Upon termination of a person's membership for any reason, the Board of Directors, as soon as practical after such termination is made known to it, shall by appropriate Resolution formally acknowledge such termination, effective as of the date on which the Cooperative ceased furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for and the Board of Directors approve membership retroactively to the date on which such person first began receiving such service, in which event, the Cooperative, to the extent practical, shall correct it's membership and all related records accordingly. This provision shall not apply to a person who has applied for and received service as a non-member patron.

ARTICLE III.

MEETINGS OF MEMBERS

Section 3.01: Annual Meeting

For the purpose of hearing and passing upon reports covering the previous fiscal year, and for educational and public relations purposes, and for transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held in September of each year, beginning at such hour as the Board of Directors shall time to time fix provided however for cause, the Board of Directors may fix a different day for such annual meeting not more than 30 days prior or subsequent to the date otherwise established by the Board for such meeting in this section. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for and to encourage member attendance at the annual meetings. Failure to hold the annual meetings at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

Such annual meetings shall be held commencing in September of 1999 at Mountain City, Tennessee; the next meeting shall be held in September, 2000, at Newland, North Carolina or in the Newland office area; and the subsequent meeting shall be held in September, 2001, in Roan Mountain, Tennessee or in the Roan Mountain office area and, said meeting shall be held thereafter in that order at those places. The present members of the Board of Trustees/Board of

Directors shall serve until such district meetings and elections are held in August, 1999, and thereafter when their successors shall have been duly elected and qualified.

Section 3.02: Special Meeting

A special meeting of the members may be called by the Board of Directors in office or by a petition signed by no fewer than 10% of the members and, it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Such meeting shall be held at such place in one of the counties in which the Cooperative services, on such date, not sooner than 20 days after the call for such meeting is made or petition therefor is filed and beginning at such hour as shall be designated by those calling the same.

Section 3.03: Notice of Members Meeting

Written or printed notice of the place, date and hour of the annual meeting and in the case of a special meeting or of an annual meeting at which business requiring special notices to be transacted, the purpose or purposes of the meeting shall be delivered to each member by mail by the Secretary and, in the case of a special meeting at the direction of those calling the meeting. Any such notice may be included with member service billings or as an integral part of the Cooperative's monthly newsletter or the statewide association's magazine. No item or issue the approval of which as provided by law requires the affirmative votes of at least of a majority of all of the Cooperative's members shall be acted upon at any meeting of the members unless notice of such issue or matter shall have been contained in the notice of the meeting. Such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid and mailed not later than the minimally required days prior to the meeting date then notice must be given as follows:

(1) Except as otherwise provided in these by-laws, not less than 90 days prior to the date of a meeting of the members at which the Cooperative's dissolution or the sale or lease-sale of all or any substantial portion of its assets and properties devoted to and used or useful in furnishing electric service is scheduled to be considered and acting upon; or

(2) Except as otherwise provided in these by-laws not less than 45 days prior to the date of a meeting of the members of the Cooperative at which a merger or consolidation with one or more cooperatives is scheduled to be considered an act upon;

(3) If subdivisions (1) or (2) foregoing is not applicable, not less than 5 days nor more than 25 days prior to the date of the meeting.

If mailed other than by First Class Mail, 5 additional days may be added to the minimally required days as set forth above. The incidental and non-intended failure of any member to receive such notice shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting the transaction of any business on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to the beginning of the meeting of his objection; otherwise, the same be deemed to have been waived.

Section 3.04: Quorum

A Quorum for the transaction of business at meetings of the members shall, except as provided for hereinafter in this section and except as hereinafter provided for at district meetings, be the lessor of 2% of all members or 100 members, and once such a quorum is established the meeting may proceed to transact all business that may lawfully come before it so long as it leaves the lessor of 1% of all members or 51 members remain present. In the case of the meeting of the members at which the dissolution of the corporation or sale or lease-sale of all or any substantial portion of its assets and property devoted to and used, or useful in, furnishing electric service is scheduled to be considered and acted upon, the quorum requirement shall be and same remain throughout the meeting 10% of all members. If any member meeting, less than the required quorum is present to enable the meeting to begin transacting business or if the quorum requirement for it to continue ceases to exist, a majority of those present may adjourn the meeting from time to time and without further notice. If a majority of those present in person so resolve, the Secretary may notify any absent members of the time, day and place of such adjourned meeting by delivering notice thereof as herein provided in these by-laws.

Section 3.05: Voting

Each member who is not in a status of suspension as hereintofore provided for shall be entitled to only 1 vote upon each matter submitted to a vote at any meeting of the members regardless of the number of premises at which such member is served by the Cooperative. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote. At all meetings of the members all questions shall be decided by a majority of the members voting thereon except as otherwise provided by law by the Cooperative's Charter, any articles of conversion or by these by-laws. No members at any voting district meeting or annual meeting of the Cooperative shall vote by proxy or by mail.

Section 3.06: Voting Method and Credentials Committee

When the Board of Directors determines that a matter to be voted upon at any meeting of the members might be difficult for the President to determine the results by the use of a regular voting method, such as a voice vote, rising vote, or vote by show of hands, the Board of Directors may, prior to the meeting, direct that any matter or matters be voted upon by other methods of voting (such as voting by ballot or by the use of voting machines). When the Board of Directors makes such a determination it may also appoint a credentials committee consisting of an uneven number of members who are not existing Cooperative employees, agents, officers or directors and who are not close relatives or members of the same household thereof, having regard for the equitable representation of the several area served by the Cooperative. The committee shall select its own chairman prior to the member meeting. It shall be the responsibility of the committee to establish or approve the manner of conducting member registration and voting, to pass upon all questions that may arise with respect to the registration and qualifications to vote of members, to count all ballots or other votes cast, to rule upon effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise prior to member voting and to pass upon any protest or objection filed with respect to any matter voted upon by the members or to conduct effecting the results of any voting. In the exercise of its responsibility the committee shall have available to it the advice of counsel provided by the Cooperative. Any such protest or objection must be filed within 3 business days following the adjournment of the meeting in which the voting is conducted. The committee shall thereupon be reconvened upon notice of its chairman not less than 7 days after such protest or objection is filed, and shall proceed to hear such evidence as is presented by those objecting or protesting, and any opposing evidence. The committee by vote of majority of those present and voting shall within a reasonable time but not later than 30 days after such hearing render its decision which may be to affirm the matter voted upon, to change the outcome thereof, or to set it aside. The committee may not act on any matter unless a majority of the committee is present. The committee's decision on all matters covered by this section shall be final subject only to a contrary holding by a court of competent jurisdiction, and the report of its decision shall constitute prima facie evidence of the facts stated therein.

Section 3.07: Order of Business

The order of business at the annual meeting of the members and insofar as practical or desirable at all other meetings of the members except for directorate district meetings shall be essentially as follows:

- (1) the determination of the existence of a quorum;
- (2) reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting as the case may be;
- (3) reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- (4) presentation and consideration of reports;
- (5) announcement of results of election of directors held at district meetings;
- (6) unfinished business;
- (7) new business;
- (8) adjournment

Notwithstanding the foregoing, the Board of Directors or the members themselves may from time to time establish a different order of business for the purpose of assuring the earlier consideration of and action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business. No business, other than adjournment of the meeting to another time and place, may be transacted until and unless the existence of a quorum is first established.

ARTICLE IV.

DIRECTORS

Section 4.01: Number and General Powers

The business and affairs of the Cooperative shall be managed by a Board of 8 trustees or directors which shall exercise all the powers of the cooperative except such as are by law or by the Cooperative's Charter or by-laws conferred upon or reserved to the members.

Section 4.02: Qualifications

No person shall be eligible to become or remain a director who is not a member and bona fide resident in the area served by the Cooperative, who is a close relative of an incumbent director or of an employee of the Cooperative, or who has been an employee of the Cooperative during the preceding five (5) years prior to the date of election for that district, or is not a member of the Cooperative then receiving service therefrom at his primary residential abode which abode shall be in the directorate district for which the director is seeking to represent or represents. Notwithstanding the foregoing, all persons serving as Directors or Trustees of the Cooperative as of September 1, 1999, who have been past employees, shall continue to be eligible to serve as Directors and/or be re-elected as Directors. No person shall be eligible to become or remain a director of, or to hold any other position of trust in the Cooperative, who is not at least 18 years of age or is any way employed by or substantially financially interested in a competing energy or utility enterprise, or a business selling electric energy or significant supplies to the cooperative, or who is the incumbent or becomes elected to a public office in connection with which a salary is paid. Notwithstanding any of the foregoing provisions of this section dealing with close relative relationships, no incumbent director shall lose eligibility to remain a director or to be reelected as a director if, during his incumbency as a director he becomes a close relative of another incumbent director or of a Cooperative employee because of a marriage to which he was not a party.

Upon the establishment of the fact that any person being considered for, or already holding a directorship or other position of trust in the Cooperative lacks eligibility under this section, it shall be the duty of the Board of Directors to withhold such position from such person or cause him to be removed therefrom as the case may be. Nothing contained in this section shall, or shall be, construed to effect, in any manner whatsoever, the validity of any action taken at any meeting of the Board of Directors unless such action is taken with respect to the matter which is effected by the provisions of this section and which one or more of the directors have an interest adverse to that of the Cooperative.

The term or designation "Trustee" and "Director" shall be deemed one and same and shall be interchangeable.

Section 4.03: Directorate Districts

The territory in which the Cooperative furnishes service shall be divided into 8 directorate or voting districts for the purpose of both nominating and electing directors therefrom at and by the district meetings of the members thereof. Each district shall be represented by one director. The composition of such district shall have an equitable regard for the number of members served therein, other communities of interest and boundaries that are readily ascertainable. Maps and other data defining the said voting district shall be kept on file at the headquarters or office building of the Cooperative at all times.

Section 4.04: Tenure

The persons acting as directors as of the effective date of the adoption of these by-laws shall continue to compose the Board of Directors until their successors shall have been elected and have qualified. The person receiving the highest number of votes in his respective district election shall be elected for a term of 3 years. In Districts 1, 3, 5, and 7, the district meetings shall be held in August of 2000, and in Districts 2, 4, 6, and 8, the district meetings shall be held in August of 2001 and thereafter respectively at the end of each 3 year term.

Section 4.05: Directors Nominations

It shall be the duty of the Board of Directors to appoint not less than 60, no more than 90 days, prior to the date of a district meeting of the members at which a director is to be elected, a committee on nomination for each district consisting of 3 members of the Cooperative residing in each district where a director is to be elected and who are not existing Cooperative employees, agents, officers, directors or known candidates for directorship, who are not members of the same

household of such existing employees, agents, officers, directors or known candidates for trustee. The committee shall prepare and post at the principal office of the Cooperative at least 30 days prior to the meeting, its nominee to be elected in said district at its district meeting. Any 10 members of the Cooperative acting together and living in said district in which said director is to be elected, may make additional nominations in writing over their signatures listing their nominees in like manner, but not less than 20 days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. The chairman of the district meeting, at such meeting, shall announce the nominees for the director to be elected in said district and nominations are closed as no additional nominations from the floor shall be accepted or made. The nominee receiving the greatest number of votes shall be the director for the said district.

Section 4.06: District Meeting for Elections

The Board of Directors will fix the date, time and place for the holding of district meetings within the said district at which a director from the district resides and will be elected by the members whose principal address as it appears on the records of the Cooperative is located therein. Meetings for the purpose of an election shall be held not less than 10 days, nor more than 45 days before the annual meeting of the members.

Section 4.07: Notice of District Meetings for Elections

Written or printed notice stating the date, time and place of the district meetings at which directors are to be elected shall be mailed by, or at the direction of the Secretary to the members of the Cooperative who are eligible to vote at such directorate district meetings not less than 10 days nor more than 45 days before the date of the district meetings for elections. Such notice shall be addressed to the member at his principal address as it appears on the records of the Cooperative and with the postage thereon prepaid or, through the Cooperative magazine.

Section 4.08: Quorum

A Quorum for all directorate district meetings shall consist of the presence, in person, of 5 or more members whose principal address is located in such district.

Section 4.09: Election Procedures

The Board of Directors shall adopt the plans, procedures and manner for conducting the directorate district meetings including, but not limited to, fixing the method of voting, the hours that voting will take place and designating the Chairman and Secretary of the meeting. Each district meeting shall be held at some location within the district to be determined by the Board of Directors. Each qualified member in attendance at the district meeting for elections shall be entitled to vote for 1 candidate and no more. No member at any district meeting shall be permitted to vote by proxy or by mail.

If a member is served with electricity by the Cooperative in more than one directorate district, the Cooperative's records will designate one of the members addresses as his principal address, which principal address should be the members residence or in the case of a non-natural person member, the member's principal office within the Cooperative service area. Such member shall be allowed to vote only at the directorate district meeting for the directorate district in which his principal address as shown on the Cooperative records is located. In the event the address shown on the Cooperative's records as the member's principal address is not his residence or principal office, in the event of a non-natural person member, the member may file a written request with the Cooperative to change his principal residence as shown on the Cooperative's records.

Section 4.10: Committee of Election Supervisors

The Board of Directors may, before any directorate district meetings for election, appoint a committee of election supervisors for each district in which a district meeting for elections will be held for that particular year. The committee shall consist of an uneven number of members not less than 3. The committee shall elect its own Chairman and it shall be the responsibility of the committee to pass upon all questions that may arise with respect to the registrations and qualifications to vote of members, to count all ballots or other votes cast in the directorate district election, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to the election of a director at the particular district meeting, and to pass upon any protest or objection filed

with respect to the election or to conduct affecting the results of the election. In the exercise of its responsibility, the committee shall have available to it advice of counsel provided by the Cooperative.

Any protest or objection regarding any aspect of the election shall be filed within four days following the adjournment of the district meeting for election. The committee shall thereupon be reconvened upon notice from its Chairman not less than 5 days after such protest or objection is filed, and shall hear such evidence as is presented by the protestors or objectors who may be heard in person, by counsel or both, and any opposing evidence. The committee shall then, by vote of majority of those present and voting, render its decision immediately which may be to affirm an election, or to change the outcome thereof or to set it aside. The committee may not act on any matter unless a majority of the committee is present. The committee's decision on all matters covered by this section shall be final, subject only to a contrary holding by a court of competent jurisdiction and a report of the committee's decision shall constitute prima facie evidence of the facts stated therein.

Section 4.11: Removal of Directors by Members

Any member may bring one or more charges against any one or more director alleging acts or omissions adversely affecting the business and affairs of the Cooperative and amounting to actionable negligence, malfeasance, nonfeasance, fraud or criminal conduct and may request the removal of such director by reason thereof by filing with the Secretary such charges in writing together with a petition signed by not less than 10% of the total membership of the Cooperative, which petition shall call for a special district member meeting thereon. The petition shall state the names and addresses of the members filing such charges, a verbatim statement of such charges and the name of the director against whom such charges are being made. The petition shall be signed by each member in the same name as he is billed by the Cooperative and shall state the signatories address as the same appears on such billings. Notice of such charges verbatim, of the director against whom the charges have been made and to the members filing the charges, shall be contained in any notice of meeting or separate notices to members within the affected districts not less than 5 days prior to the district meeting at which the charges will be acted upon, provided however that the notice shall set forth by either random or alphabetical order only 20 of the names and addresses of the charging members if 20 or more members file the same charges against the same director.

Such director shall be informed in writing of the charges after they have been validly filed and at least 25 days prior to the district meeting of the members at which such charges are to be considered shall have an opportunity, at the meeting, to be heard in person, by witnesses, by counsel or any combination of such and to present evidence in respect to the charges and shall be heard last. Such persons bringing the charges shall have the same opportunity but shall be heard first. The question of the removal of such director shall be considered and voted upon at such meeting and any vacancy created by such removal shall be filled by vote of the members at such district meeting without compliance with the foregoing sections with respect to nominations and nominations shall be made from the floor. Provided however, the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charges against him shall have been presented during the district meeting through oral statements, documents or otherwise; and provided further that no director shall be so removable from office for the reason that he, in good faith and believing such to be in the best interest of the Cooperative and of its present and future members, failed or declined to support or that he opposed (1) a proposal to sale or lease-sale all or a substantial portion of the Cooperative's assets and properties or to dissolve the Cooperative or (2) a motion to notify the Cooperative's members of the proposal received by the Cooperative for such a sale, lease-sale or dissolution or (3) a motion for any other effort to call a meeting of the Cooperative's members to consider and act upon a proposal for such sale, lease-sale or dissolution. A newly directed director shall be from the same directorate district as was the director whose office he succeeds and shall serve out the unexpired portion of the removed directors term. Any such nominee for the unexpired term of a director so removed shall, in all other respects, be qualified to be a director on the Board of the Cooperative as hereintofore set forth.

Section 4.12: Vacancies

Subject to the provisions of these by-laws with respect to the filling of vacancies caused by the removal of directors by the members, the Board of Directors shall have the power to fill any other vacancy occurring in the Board by a majority vote of the remaining directors, or the Board may, in its discretion, call a special district meeting for nominations and, if necessary, a special district meeting for elections to allow the members of the affected district to fill the vacancy. In the event the Board does not fill the vacancy within 6 months of its occurrence, the Board shall then have a duty to call such special district meeting to allow the members to fill the vacancy. The special district meeting for nominations shall be

held no later than 45 days after the end of the 6 months period. A director thus elected by either the Board of Directors or the members shall be from the directorate district in which the vacancy exists and shall serve until the term of office for said directorate district expires or until a successor is elected and qualified.

Section 4.13: Compensation; Expenses

Director shall, as determined by resolution by the Board of Directors, receive on a per diem basis a fixed fee, which may include insurance benefits for attending meetings of the Board of Directors and when approved by the Board of Directors for otherwise performing their duties. The fee or fees fixed for otherwise performing their duties need not be the same as the fee fixed for attending meetings for the Board of Directors. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses reasonably incurred in performing their duties.

No close relative of a director shall be employed by the Cooperative and no director shall receive compensation for serving the Cooperative in any other capacity, unless the employment of such relative or the service of such director is temporary and shall be specifically authorized by a vote of the Board of Directors or the members upon a determination that such was an emergency measure. Provided however, 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 may be compensated in such amount as shall be fixed and authorized in advance of such service by the unanimous vote of the remaining directors and, provided further that an employee shall not lose eligibility to continue in the employment of the Cooperative if he becomes a close relative of a director because of a marriage to which he was not a party.

Section 4.14: Definition, Close Relative

Whenever the term "Close Relative" is or shall be used in these by-laws, the same shall mean and shall include spouse, child (including step and in-law), grandchild, brother, half-brother, brother-in-law, sister, half-sister, sister-in-law, parent (including step and in-law), grandparent, aunt, uncle, nephew or niece.

Section 4.15: Rules, Regulations, Rate Schedules, and Contracts

The Board of Directors shall have the power to make, adopt, amend, abolish, and promulgate such Rules and Regulations, rate classifications, rate schedules, contracts, security deposits, and any other types of deposits, payments, or charges including contributions in aid of construction, not inconsistent with Law or the Cooperative's Charter or By-Laws as it may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

Section 4.16: Accounting System and Reports

The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and conditions, and shall, after the close of each fiscal year cause to be made a full, complete, and independent audit of the Cooperative's accounts, books, and records reflecting financial operations during, and financial condition as of the end of, such year. A summary of such audit reports may be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

Section 4.17: Subscription to Cooperative's Newsletter, Subscription to Statewide Publication

For the purpose of disseminating information devoted to the economical, effective and conservative use of electric energy, the Board of Directors shall be empowered on behalf of and for circulation to the members periodically, to subscribe to any Cooperative newsletter. The annual subscription price for such newsletter shall be deducted from any funds accruing in favor of such member so as to reduce such funds in the same manner as would any other expense of the Cooperative. The Board of Directors shall also be empowered on behalf of and for circulation to the members periodically to subscribe to any statewide publication, the annual subscription price for which shall be deducted from any funds accruing in favor of the members so as to reduce such funds in the same manner as would any other expense of the Cooperative.

ARTICLE V.

MEETINGS OF DIRECTORS

Section 5.01: Regular Meetings

A regular meeting of the Board of Directors shall be held without notice, immediately after the adjournment of the annual meeting of the members or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual member meeting. A regular meeting of the Board of Directors shall also be held monthly at such date and time at as the Board of Directors may determine by Resolution at the Cooperative offices in Mountain City, Tennessee. If all the Directors consent thereto, a regular meeting of the Board of Directors may be held at any place outside of one of the Counties within which the Cooperative serves. Such regular monthly meeting may be held without notice other than such Resolution fixing the day, time, and place thereof, except when business to be transacted shall require special notice. The President of the Board may change the day or time of a regular monthly meeting for good cause and upon at least five (5) days notice thereof to all Directors.

Section 5.02: Special Meetings

Special meetings of the Board of Directors may be called by Board Resolution, by the President, or by any three (3) Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03. The Board, the President, or the Directors calling the meeting shall fix the date and time of the meeting which shall be held in the corporate offices in Mountain City, Tennessee unless all Directors consent to its being held in some other place in Tennessee, North Carolina, or elsewhere. Special meetings may also be held via a telephone conference call without regard to the actual location of the Directors at the time of such a telephone conference meeting if all of the Directors consent thereto.

Section 5.03: Notice of Directors Meetings

Written or oral notice of the day, time, place, or the scheduled day and time of a telephone conference call and purposes of any special meeting of the Board and when the business to be transacted at such meeting shall require such, of any regular meeting of the Board shall be delivered to each Director not less than five (5) days prior thereto either personally or by mail, by, or at the direction of, the Secretary or by him or those calling it in the case of a special meeting or by any Director in the case of a meeting whose day, time, and place have already been fixed by Board Resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the Director at his address as it appears on the records of the Cooperative with first class postage thereon prepaid and postmarked at least five (5) days prior to the meeting date. The attendance of a Director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business or on the grounds that the meeting shall not have been lawfully called or convened.

Section 5.04: Quorum

The presence and person of a majority of the Directors in office shall be required for the transaction of business and the affirmative votes of a majority of the Directors present and the voting shall be required for any action to be taken, provided, however, that a Director who has a conflict of interest in a matter to be considered shall not with respect to that matter be counted in determining the number of Directors in office or present and provided further that if less than a quorum be present at a meeting, a majority of the Directors present may adjourn the meeting from time to time but shall cause the absent Directors to be duly and timely notified of the day, time, and place of such adjourned meeting.

Section 5.05: Action Without Meeting

Any action required or permitted to be taken at a Board of Directors meeting may be taken without a meeting. If all Directors consent to taking such action without a meeting the affirmative vote of a number of the Directors that would be necessary to authorize or take such action at a meeting is the act of the Board. The action must be evidenced by one (1) or more written consents describing the action taken, signed by each Director, and included in the Minutes filed with the corporate records reflecting the action taken. Action taken under this Section is effective when the last Director signs the consent, unless the consent specifies a different effective date. A consent signed under this Section has the effect of a meeting vote and may be described as such in any document.

ARTICLE VI

OFFICERS

Section 6.01: Number and Title

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

Section 6.02: Election and Term of Office

The four officers named in Section 6.01 shall be elected by secret written ballot, annually and without prior nomination by and from the Board of Directors of the first meeting of the Board held after the annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of the By-Laws with respect to the removal of Directors and to the removal of officers by the Board of Directors. Any other officers may be elected by the Board from among such persons and with such title, tenure, and responsibilities and authorities as the Board of Directors may from time to time deem advisable.

Section 6.03: Removal

Any officer, agent, or employee elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interest of the Cooperative will thereby be served.

Section 6.04: Vacancies

A vacancy in any office elected or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term.

Section 6.05: President

The President shall be the principal executive officer of the Board and shall preside at all meetings of the Board of Directors and unless determined otherwise by the Board of Directors, at all meetings of the members. The President shall sign with the Secretary Certificates of Membership, the issue of which shall have been authorized by Resolution of the Board of Directors, 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 By-Laws to some other officer or agent of the Cooperative or shall be required by Law to be otherwise signed or executed, and in general perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6.06: Vice-President

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

Section 6.07: Secretary

The Secretary shall keep or cause to be kept the Minutes of meetings of the members and of the Board of Directors in one (1) or more books provided for that purpose; shall see that all notices are duly given in accordance with these By-Laws or as required by Law; shall be the custodian of the corporate records and of the seal of the Cooperative, if applicable; shall keep or cause to be kept a register of the name and post office addresses of each member, which addresses shall be furnished to the Cooperative by such member, shall sign with the President Certificates of Membership, the issue of which shall have been authorized by Resolution of the Board of Directors; shall have general charge of the books of the Cooperative in which a record of the members is kept; shall keep on file at all times a complete copy of the Cooperative's Charter and By-Laws, together with all amendments thereto, which copies shall always be open to the

inspection of any member at reasonable times, and, at the expense of the Cooperative furnish a copy of such documents and of all amendments thereto upon request to any member and it shall in general perform all duties incident to the office of the Secretary and such other duties as may from time to time be assigned to him by the Board of Directors.

Section 6.08: Treasurer

The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Cooperative; shall receive and give receipt for moneys due and payable to the Cooperative from any source whatsoever and deposit and invest all such moneys in the name of the Cooperative in such bank or banks or in such financial institution or securities as shall be selected in accordance with the provisions of these By-Laws and in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

Section 6.09: Delegation of Secretary's and Treasurer's Responsibilities

Notwithstanding the duties, responsibilities, and authorities of the Secretary and Treasurer hereintofore stated and provided for, the Board of Directors may by Resolution delegate wholly or in part the responsibility and authority for and the regular or routine administration of one (1) or more of each such officer's duties to one (1) or more agents, other officers or employees of the Cooperative who are not Directors. To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities, and authorities.

Section 6.10: General Manager; Executive Vice President

The Board of Directors may appoint a General Manager who may be, but shall not be required to be, a member of the Cooperative and who also may be designated Executive Vice President. Such General Manager and/or Executive Vice President shall perform such duties as the Board of Directors from time to time require and shall have such authority as the Board of Directors may from time to time vest in him.

Section 6.11: Bonds of Officers

The Board of Directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the Board of 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. The cost of all such bonds shall be borne by the Cooperative.

Section 6.12: Compensation; Indemnification

The compensation, if any, of any officer, agent or employee who is also a Director or close relative of a Director shall be determined as provided in Section 4.13 of these by-laws and the powers and duties and compensation of any other officers, agents and employees shall be fixed and approved by the Board of Directors.

The Cooperative shall indemnify present and former Cooperative Directors, officers (including the General Manager or as so titled the Executive Vice President), agents and employees against liability and costs of defending against liability, and may purchase insurance in reasonable face amounts to cover such indemnification to the fullest extent such insurance is available and to the fullest extent permissible by law including *T.C.A. § 48-58-301 through 601 (§ 304 excluded)* of the Tennessee Non-Profit Corporation Act as the same may be from time to time amended.

Section 6.13: Reports

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

ARTICLE VII.

CONTRACTS, CHECKS AND DEPOSITS

Section 7.01: Contracts

Except as otherwise provided by law or these by-laws, the Board of Directors may authorize any Cooperative officer, agent or employee 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 7.02: Checks, Drafts, etc.

All checks, drafts, or other orders for the payment of money and all notes, bonds or other evidence of indebtedness' issued in the name of the Cooperative shall be signed or counter-signed by such officer, agent or employee of the Cooperative and in such manner as shall, from time to time, be determined by Resolution of the Board of Directors.

Section 7.03: Deposits; Investments

All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the Board of Directors may select.

ARTICLE VIII.

NON-PROFIT OPERATION

Section 8.01: Interest or Dividends on Capital Prohibited

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

Section 8.02: Disposition of Revenues; Distribution of Excess

With respect to the Cooperative's furnishing of electric service, the revenues therefrom for any fiscal year and in the excess of the amount thereof necessary shall be used to defray the expenses of the Cooperative including the operation and maintenance of its facilities during such fiscal year; to pay interest and principal obligations of the Cooperative coming due in such fiscal year; to finance or provide a reserve to finance the construction or acquisition by the Cooperative of additional facilities to the extent determined by the Board; to provide a reasonable reserve for working capital; to provide a reserve for the payment of indebtedness of the Cooperative maturing more than one year after the date of the incurrence of such indebtedness in an amount not less than the total of the interest and principal payments in respect thereof required to be made during the next following fiscal year; to comply with any covenant or obligation of the Cooperative pursuant to any contract it is entered into; and to provide a fund for education and cooperation and for dissemination of information concerning the effective use and conservation of electric power and energy and concerning any other services made available by the Cooperative, including, if the Board so authorizes, publication of or subscription to a Cooperative newsletter and/or statewide or regional publication. Any such excess of the amount necessary over and above the above enumerated expenses and items shall be distributed or credited by the Cooperative to patrons as patronage refunds pro-rated in accordance with the patronage of the Cooperative by the respective patrons paid for during, or with respect to such fiscal year, or by way of general reduction of rates or other charges or may any combination of such methods.

Section 8.03: Use of Contributed Capital

The primary purpose of the Cooperative is to furnish its patrons with electric service at the lowest rates and charges consistent with prudent management and sound economy. Therefore, all amounts received and receivable from the furnishing of electric energy to patrons, members and non-members alike, in excess of operating costs and expenses properly chargeable thereto are, at the moment of receipt by the Cooperative, received with the understanding that they are furnished by the patrons as capital. Capital contributed by the patrons shall be used only for capital purposes including, without limitation, new electric system construction, the retirement of electric system indebtedness at or prior to maturity and working capital adequate for all purposes and for facilitation of general rate reductions.

Section 8.04: Ascertainment of Contributed Capital

The Cooperative shall maintain such books and records as will enable it at any time upon reasonable motives to compute the amount of capital contributed during any given accounting period by each of its patrons.

Section 8.05: Contract

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the provisions of this Article of the by-laws shall constitute and be a contract between the Cooperative and non-member patrons, and both the Cooperative

and such 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 by-laws shall be called to the attention of such patrons by being posted in a conspicuous place in the Cooperative's offices.

ARTICLE IX.

DISPOSITION AND PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

Section 9.01: Disposition and Pledging of Property

The Cooperative may authorize the sale, lease, lease-sale, disposition, pledging, mortgaging or encumbering of all, a substantial portion or any portion of its assets as provided by law, including *Sections 65-25-113 and 114 of Tennessee Code Annotated* as the same may, from time to time, be amended.

Section 9.02: Distribution of Surplus Assets on Voluntary Dissolution

Upon the Cooperative's voluntary dissolution any assets remaining, after all liabilities or obligations of the Cooperative have been satisfied and discharged or adequate provision therefor has been made, shall be distributed as provided for in *Section 65-25-220(b)(2) of the Tennessee Code Annotated* as may be, from time to time, amended.

ARTICLE X.

FISCAL YEAR

Section 10.01: Fiscal Year

The Corporation's fiscal year shall begin on the first day of the month of July of each year and end on the last day of the month of June following. The fiscal year of the Corporation may be amended or changed by Resolution of the Board of Directors.

ARTICLE XI.

BY-LAW AMENDMENTS

Section 11.01: Power to Amend

The Cooperative's by-laws may be changed, amended or repealed by the members, and the members may provide in the by-laws that specific provisions thereof may also be changed by the Board of Directors, in which case such provisions shall contain a statement to that effect; provided however, that either the Board of Directors or the members may change any by-law if, as established by law, such by-law is illegal or has become a legal nullity.

Section 11.02: Procedure for Amending

A by-law may be changed only if, (1) a copy or accurate summary explanation of the proposed change is contained in or with the Notice of the member or board meeting at which it is to be acted upon and (2) if to be acted upon by the members, it has received a three-fourths ($\frac{3}{4}$) affirmative vote of all of the Board of Directors.

A change in these by-laws initiated by the members shall be filed by petition with the Cooperative signed by at least fifty (50) members proposing such change and setting forth with particularity the wording thereof and the time that the change is to become effective, at least forty-five (45) days prior to the date of the member meeting at which such change is proposed to be acted upon; provided however, if the Cooperative is presented with a written request by one (1) or more but less than fifty (50) members that a by-law change be noticed to and acted upon by the members and if the request sets forth with particularity the wording of the proposed change and the time that the change is to become effective, the Board of Directors may, but shall not be obligated to, waive the foregoing petition requirement and cause such proposed change to be noticed and acted upon; provided further the Board of Directors shall not cause any proposed by-law change to be noticed or acted upon, or permit any amendment to a proposed by-law change to be acted upon if it determines that such, if adopted, would be illegal or a legal nullity. A change so noticed may be amended from the floor of a board meeting at

which it is being considered if the amendment is to remain thereto but such an amendment shall not be allowable if the change is being considered by a member meeting.

ARTICLE XII.

MEMBERSHIP CERTIFICATES

Section 12.01: Certificate of Membership

Membership in the cooperative may, if the board so resolves, be evidenced by a Certificate of Membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the corporation's charter (including any articles of conversion) or its by-laws. Such certificate, if authorized to be issued by the board, shall be signed by the President and by the Secretary and the seal shall be affixed thereto, provided however that the seal and signatures of the President and Secretary may be imprinted thereon by facsimile.

Section 12.02: Issuance of Membership Certificates

No Membership Certificates shall be issued for less than the membership fee fixed by the Board of Directors nor until such membership fee, any required service security deposits, facilities extension deposits, service connection fees, or contributions in aid of construction have been fully paid.

Section 12.03: Lost Certificate

In case of lost, destroyed or mutilated certificates, a new certificate may be issued therefore upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

ARTICLE XIII.

EFFECTIVENESS

Section 13.01: Effectiveness

The foregoing by-laws shall become effective immediately upon their adoption at the regular member meeting of the Cooperative in September of 1999 or any adjournment thereof.

CERTIFICATE OF SECRETARY

I, James R. Dowell, Secretary-Treasurer of Mountain Electric Cooperative, Inc. do hereby certify that the above Bylaws were adopted by the members of Mountain Electric Cooperative, Inc. at the regular annual meeting of the Cooperative on September 18, 1999. NOW, THEREFORE, BE IT RESOLVED. I further certify that a quorum of the membership was present at the meeting.



James R. Dowell

Signature: Secretary-Treasurer