

BYLAWS OF

**CHOPTANK
ELECTRIC
COOPERATIVE**

INCORPORATED

AS AMENDED MARCH 2004
AS UPDATED JUNE 2004

OUR MISSION

Choptank Electric Cooperative exists to provide energy and other related services that improve the quality of life for our member-owners. We are committed to the highest standards of service, operational excellence, integrity and cost-effective management. We are also committed to maintaining a well-trained work force, dedicated to safety and service excellence.



Table of Contents

Bylaws of Choptank Electric Cooperative, Inc.

Article I	Membership	1
	Section 1. Requirements for Membership	
	Section 2. Membership Types	
	Section 3. Membership Certificates	
	Section 4. Joint Membership	
	Section 5. Conversion of Membership	2
	Section 6. Membership and Service Connection fees	
	Section 7. Purchase of Distribution Services and Electric Energy	
	Section 8. Termination of Membership	3
Article II	Rights and Liabilities of Members	3
	Section 1. Property Interest and Members	
	Section 2. Non-liability for Debts of the Cooperative	
Article III	Meeting of Members	3
	Section 1. Annual Meeting	
	Section 2. Special Meetings	4
	Section 3. Notice of Members' Meetings	
	Section 4. Quorum	
	Section 5. Voting	
	Section 6. Personal and Mailed Ballots	5
	Section 7. Order of Business	
	Section 8. Conduct of Meeting	
Article IV	Board of Directors	5
	Section 1. General Powers	
	Section 2. Composition	6
	Section 3. Qualifications	
	Section 4. Elections	7
	Section 5. Nominations	
	Section 6. Tenure	
	Section 7. Removal of Directors by Members	
Article V	Meetings of Directors	8
	Section 1. Regular Meetings	
	Section 2. Special Meetings	9
	Section 3. Notice of Director's Meetings	
	Section 4. Quorum	
Article VI	Offices	9
	Section 1. Number	
	Section 2. Election and Term of Office	
	Section 3. Removal of Officers and Agents by the Board of Directors	
	Section 4. Chairman	10
	Section 5. Vice-Chairman	
	Section 6. Secretary	
	Section 7. Treasurer	
	Section 7A. Delegation of Secretary's and Treasurer's Responsibilities	
	Section 8. President and Chief Executive Officer	
	Section 9. Bonds of Officers	
	Section 10. Compensation	
	Section 11. Reports	
Article VII	Non-Profit Operation of the Cooperative	11
	Section 1. Interest of Dividends on Capital Prohibited	
	Section 2. Patronage Capital in Connection with the Furnishing of Electric Energy	
Article VIII	Disposition of Property	13
	Section 1. Execution of Mortgages, Deeds of Trust or Pledges	
	Section 2. Authority of Members	14
	Section 3. Cooperative Assets	
Article IX	Seal	15
Article X	Financial Transactions	15
	Section 1. Contract	
	Section 2. Checks, Drafts, etc.	
	Section 3. Deposits	
	Section 4. Fiscal Year	
Article XI	Miscellaneous	
	Section 1. Business Organization	
	Section 2. Waiver of Notice	16
	Section 3. Policies, Rules and Regulations	
	Section 4. Accounting System and Reports	
	Section 5. Subscription to Rural Living	
	Section 6. Assignment and Gift Failure to Claim	
Article XII	Indemnification	17
Article XIII	Amendments	17
Notes	18

BYLAWS OF CHOPTANK ELECTRIC COOPERATIVE, INC.

Article 1

Membership

Section 1. **REQUIREMENTS FOR MEMBERSHIP.** Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of Choptank Electric Cooperative, Inc. (hereinafter called the "Cooperative") upon receipt of distribution service and/or electric energy from the Cooperative, provided that he/she or it has first:

- (a) made a written application for membership therein;
- (b) agreed to purchase from the Cooperative electric energy as hereinafter specified;
- (c) agreed to comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any policies, and rules and regulations adopted by the Board of Directors

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

Section 2. **MEMBERSHIP TYPES.** There shall be three types of membership in the Cooperative:

- (a) Type I: Members receiving both distribution and energy service(s)
- (b) Type II: Members receiving distribution service only
- (c) Type III: Members receiving energy service(s) only

All types of membership will have voting rights, and such other rights and privileges as set by policy by the Board of Directors.

Section 3. **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 certificate shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. 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 4. **JOINT MEMBERSHIP.** Any two or more natural persons 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 "membership" as used in these bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and liabilities 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 to the holders of a joint membership shall be as follows:

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

- (b) The vote in person or by mail of any or all parties jointly shall constitute one joint vote. If attending a meeting after sending a mail ballot, any or all may elect to let the mailed ballot represent their vote and shall not be required to recast a ballot at said meeting.
- (c) The application for membership will designate one of the persons (with address) as the contact person for that membership. This person will also be the person responsible for notifying the cooperative of decisions of that joint membership. Ballots executed at the Annual Meeting must be signed by the contact person for the joint membership. The person may not be changed by written notice to the cooperative.
- (d) A waiver of notice signed by any one or all of the parties shall constitute a joint waiver.
- (e) Withdrawal of any of the parties shall terminate the joint membership.
- (f) Any but not all of the parties may be elected or appointed as an officer or director, provided that the one elected or appointed meets the qualifications for such office.

Section 5. CONVERSION OF MEMBERSHIP.

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, bylaws, and rules and regulations adopted by the Board 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) In the case of a husband and a wife, upon the death of either spouse, such joint membership shall be terminated upon notification and a new membership will automatically be established in the name of the survivor. Upon compliance with this paragraph, the closed account would be eligible for retirement of capital credits in accordance with current policy on payment of capital credits to the estates of deceased members.
- (c) Except as provided in Section 5 (b), the death, withdrawal or other removal of one or more of the joint members shall constitute dissolution of the joint membership and a new membership, joint or otherwise, shall be established in order to continue service. Memberships closed under these circumstances shall not be eligible for early retirement of capital credits.

Section 6. MEMBERSHIP AND SERVICE CONNECTION FEES. No membership fees shall be charged for the privileges of membership, however each member shall pay such charges as applicable at the time of connection.

Section 7. PURCHASE OF DISTRIBUTION SERVICES AND ELECTRIC ENERGY. The Cooperative shall use reasonable diligence to furnish its members with adequate and dependable distribution services and electric energy, although, it cannot and therefore does not guarantee continuous and uninterrupted distribution service or supply of electricity.

Each member shall, as soon as distribution services and electric energy shall be available, purchase from the Cooperative, distribution

services and electric energy for use on the premises specified in his/her application for membership, unless he/she shall by election of another electric supplier, purchase electric energy elsewhere. The member shall pay therefore at rates which shall from time to time be fixed by The Board of Directors; provided, however that The Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. It is expressly understood that amounts paid for distribution service and/or electric energy in excess of the cost of service are furnished by the 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 of Directors from time to time. Each member shall also pay all amounts owed by him to the cooperatives as and when the same shall become due and payable.

Members shall furnish a suitable location for the cooperative's equipment by easement and provide the Cooperative with access thereto. Membership in the Cooperative shall constitute an election by that member, to purchase, and to continue to purchase, electric energy and capacity from the Cooperative until "customer choice" becomes available under Maryland law, as applicable to electric cooperatives, so that such customer shall not be deemed a "default customer." Nothing herein contained is intended to prohibit a member from affirmatively selecting another electric supplier if such member elects to do so in writing and the same is otherwise legally permissible.

Section 8. TERMINATION OF MEMBERSHIP.

- (a) Any member may withdraw from membership, or his or her membership may cease, upon compliance with such uniform terms and conditions as the Board of Directors may prescribe.
- (b) Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

Article II

Rights and Liabilities of Members

Section 1. **PROPERTY INTEREST AND MEMBERS.** Upon dissolution, and after (a) all debts and liabilities of the Cooperative shall have been paid, and (b) all capital furnished through patronage shall have been retired as provided in these bylaws, the remaining 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 filing of the certificate of dissolution, or the then longest existing cycle for payment of capital credits, whichever is greater.

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 each year on a date and at such a time and place within a county served by the Cooperative, as selected by the Board of

Directors and which shall be designated in the notice of the meeting, for the purpose of electing Directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. If "such other business" involves a vote of the members, the motion will not be voted upon at that meeting unless submitted in writing within the period of time set for nominating directors by petition; if it is submitted after that time, it will automatically be tabled until the next following regular or special meeting of members. It shall be the responsibility of the Board of Directors 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 passed by a majority of the entire Board of Directors, or by the President, or by written request signed by ten per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties served by the Cooperative as designated by the Board of Directors and shall be specified in the notice of the special meeting. The agenda of the meeting shall be limited to the items set forth in the notice of the meeting.

Section 3. **NOTICE OF MEMBERS' MEETINGS.** Written or printed notice stating the place, day and hour of the meeting, and, in case of a special meeting or an annual meeting the purpose for which the meeting is called, shall be delivered not less than ten (10) and not more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon the default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the 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 number of members does not exceed one thousand, 5 per centum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed one thousand, fifty members, present in person, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain the list of the members present in person.

Section 5. **VOTING.** Each member, individual or joint, currently receiving electric service from the Cooperative shall be entitled to one vote. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to the registration at each member meeting, of written authorization entitling the same to vote. The signature on a mailed ballot from a member other than natural persons shall be considered authorization to cast the ballot for that entity. All questions shall be decided by a majority of the members voting thereon in person or by mail ballot, unless otherwise provided by law, the articles of incorporation or these bylaws. Mailed ballots will be on forms provided by the cooperative and must be signed by the member. Cumulative voting is not permitted.

A committee of Inspectors of Election shall be appointed by the

Board of Directors to act as a credentials committee and to tally the votes at the membership meeting. No member of the Board of Directors may serve on this committee.

Section 6. **PERSONAL AND MAILED BALLOTS.** Any member who expects to be absent from any annual or special meeting of the members may vote by mail upon any matter, motion or resolution to be acted upon at any such meeting. The Secretary of the Cooperative shall be responsible for the enclosure with the notice of such meeting an exact copy of any motion or resolution known to be proposed to be acted upon and such member shall express his vote thereon by placing a cross (X) in the space provided therefore opposite each such motion or resolution. Such absent member shall enclose each such copy so marked and signed and dated by him in a sealed envelope addressed to the Secretary of the Cooperative. When such written vote so enclosed is received by mail from any absent member prior to such meeting, it shall be accepted and counted in computing a quorum. Any member who is absent from any meeting provided for in Section 1 of Article III for the election of Directors may also vote by mail in the election of Directors by ballot. The failure of any such absent member to receive a ballot shall not invalidate any such motion; resolution or ballot shall not invalidate any action which may be taken by members at any such meeting.

The presence of a member at a meeting shall not revoke a mail ballot, previously executed by that member; if that member casts a ballot at the meeting, however, that ballot shall revoke a mail ballot previously executed by the member.

Section 7. **ORDER OF BUSINESS.** The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting:

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

Section 8. **CONDUCT OF MEETING.** Unless otherwise specified in these bylaws, meetings shall be conducted according to Roberts Rules of Order or such other generally accepted rules of order as the Board of Directors shall approve.

ARTICLE IV

Board of Directors

Section 1. **GENERAL POWERS.** The business and affairs of the

Cooperative shall be managed by a Board of Directors which shall exercise all of the powers of the Cooperative except such as are by law, the articles of incorporation, or these bylaws conferred upon or reserved to the members.

Section 2. **COMPOSITION.** The Board of Directors shall consist of the following directors, all of whom shall have equal powers, duties and compensation.

- (a) One director representing each county served by the Cooperative. These directors must reside in the county they represent and be registered voters in their counties.
- (b) One at-large director selected by the Board of Directors from among all the members of the Cooperative, if the Board of Directors finds such position to be in the best interest of the Cooperative. Such at-large director shall be selected by a majority vote of the directors at the organizational meeting held immediately following the annual members meeting.
- (c) One additional director, selected from the Type III members of the Cooperative, if the Board of Directors finds such position in the best interest of the Cooperative. The Board of Directors will set the term, method of selection and qualifications for that directorship.

Section 3. **QUALIFICATIONS.** No person shall be eligible to become or remain a director of the Cooperative subject to the restrictions of foregoing Section 2 unless: such person is a member of the Cooperative in good standing and a bonafide resident of his/her director district and a permanent occupant receiving service from the Cooperative at his/her primary abode. Further, no person shall be eligible to become or remain a director of the Cooperative, subject to the restrictions of foregoing Section 2, if such person:

- (a) Within ten (10) years preceding a director candidate's election, was, or during service on the Board of Directors is finally adjudged to be guilty of a felony;
- (b) Is currently, or within ten (10) years immediately preceding the date of a director candidate's election, was an employee of the Cooperative or a director or an employee of a competing firm, or a firm selling energy, provided however that any person previously elected and currently serving as a director, as of December 21, 1998, shall not be disqualified by reason of this paragraph;
- (c) Is, becomes or shall have been, at any time during the ten (10) years preceding a director candidate's election, employed by a labor union that represents or has endeavored to represent any employee of the Cooperative;
- (d) Is a grandparent, parent, spouse, co-habitant, child or grandchild of an employee or incumbent director;
- (e) Is in any way employed by or substantially financially interested in an enterprise competing with the cooperative or any of its subsidiaries or any of its affiliates or a major supplier of any of the aforementioned entities.
- (f) Is or becomes a full-time employee or agent of, or is currently or becomes the full-time employee or principal of, another director;
- (g) Is absent without cause from three (3) or more regular meetings of the Board of Directors during any twelve (12) month period.

A member that is an authorized farm corporation or family farm corporation may select an individual stockholder residing on or actively operating the farm to be eligible for election to the board. A member that is not a natural person may select one of its officers to be eligible for election to the Board, provided that no more than one (1) such officer may serve on the board at the same time. Any individual stockholder or officer selected according to this paragraph must nevertheless meet the criteria set forth in Section 2 and Section 3, paragraphs (a) through (g).

Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such director from office and declare the position vacant.

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

Section 4. **ELECTIONS.** Directors who represent counties shall be elected by ballot at the annual meeting by and from the members to serve until their successors have been elected and shall have been qualified. 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 the directors within a reasonable time thereafter.

Section 5. **NOMINATIONS.** It shall be the duty of the Board of Directors to appoint, not less than sixty (60) days nor more than one hundred twenty (120) days before the date of a meeting of the members at which Directors are to be elected, a committee on nominations consisting of not less than nine (9) nor more than eleven (11) members who shall be selected from different districts so as to insure equitable representation. No member of the Board of Directors may serve on such committee. The committee shall prepare and post at the principal office of the Cooperative at least one (1) candidate for each board position to be filled by the election. The Secretary shall be responsible for mailing with the notice of the meeting or separately, but at least seven (7) days before the date of the meeting a statement of the number of candidates nominated by the committee on nominations. Any fifteen (15) or more members acting together may make other nominations by petition and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. Nominations made by petition, if any, received at least sixty (60) days before the meeting shall be included on the official ballot. Later nominations by petition shall be treated as nominations from the floor. The chairman shall call for additional nominations from the floor and nominations shall not be closed until at least one (1) minute has passed during which no additional nomination has been made. No member may nominate more than one (1) candidate.

Section 6. **TENURE.** Directors who represent counties shall serve for a term of three (3) years. The elections of directors shall be rotated in such a manner that three (3) directorship positions shall be subject to election at the annual member meeting. The rotation shall be as follows:

- (a) Directors representing Dorchester, Kent, and Queen Anne's counties were elected in 1982 to serve until the annual meeting to be held in 1985. These positions shall again be subject to election in 1985 and every three (3) years thereafter.
- (b) Directors representing Caroline, Wicomico, and Worcester counties were elected in 1983 to serve until the annual meeting to be held in 1986. These positions shall again be subject to

election in 1986 and every three (3) years thereafter.

- (c) Directors representing Cecil, Somerset, and Talbot counties were elected in 1984 to serve until the annual meeting to be held in 1987. These positions shall again be subject to election in 1987 and every three (3) years thereafter.
- (d) The term of office for the at-large director shall end at the adjournment of the annual meeting.

Section 7. **REMOVAL OF DIRECTORS BY MEMBERS**

- (a) A director may be removed for cause by the affirmative vote of a majority of the members.
- (b) "Cause" for removal shall mean that the director is alleged to have committed an act or omission adversely affecting the business and affairs of the Cooperative and amounting to willful negligence, fraud or criminal conduct.
- (c) No director shall be removed except upon certification that the following procedures have been followed:
 - (1) A written petition must be presented to the Board which shall :
 - (a) Describe in detail each of the charges and basis therefore. If more than one director is sought to be removed, individual charges for removal shall be specified.
 - (b) Be signed by a minimum of 10% of the members of the Cooperative within sixty (60) days of the date of the petition.
 - (2) If the Board determines that the petition complies with paragraph (c) (1), and only if the Secretary certifies the authenticity of the petition, a meeting of the members shall be noticed in accordance with these Bylaws and shall be held within sixty (60) days after receipt by the Cooperative of the written petition.
 - (3) At such meeting, evidence must be presented in support of the charges. The director shall be entitled to be represented by counsel and shall have the opportunity to refute such charges and present evidence in his or her defense before a vote of the members is taken.
- (d) Nothing contained herein, however, shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.
- (e) Any vacancy created by such removal shall be filled at the next regular or special meeting, by the candidate receiving the majority of votes cast in person or by mail ballot, the candidate so elected will complete the term of the removed director.

ARTICLE V

Meetings of Directors

Section 1. **REGULAR MEETINGS.** A regular meeting of the Board of Directors shall be held without notice, immediately after, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held each month at a date, time and place agreed upon by a majority of the Directors unless the Directors shall by resolution change the meeting time and place. Such regular monthly meeting may

be held without notice other than such resolution changing the time and place thereof.

Section 2. **SPECIAL MEETINGS.** Special meetings of the Board of Directors may be called by the Chairman or by a simple majority of the duly elected members of the Board of Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chairman or Directors calling the meeting shall fix the time and place for the holding of the meeting. The agenda of the meeting shall be limited to the items in the notice unless all directors present agree otherwise.

Section 3. **NOTICE OF DIRECTOR'S MEETINGS.** Written notice of the time, place, and purpose of any special meeting of the Board of Directors shall be delivered to each Director either personally or by mail, by or at the direction of the Secretary, or upon the default in duty by the Secretary, by the Chairman or the Directors calling the meeting. If mailed, such notice shall be by certified mail to the Director at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

Section 4. **QUORUM.** The majority of the Board of Directors shall constitute a quorum provided, that if less than such majority of the Board of Directors is present at said meeting, a majority of the Directors present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Directors of the time and place of such adjourned meeting. The act of a majority of the directors shall be the act of the Board of Directors, except a vote of two-thirds is required to discharge the General Manager.

Article VI

Offices

Section 1. **NUMBER.** The officers of the Cooperative shall be a Chairman, Vice-Chairman, Secretary, Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The officers of Secretary and Treasurer may be held by the same person.

Section 2. **ELECTION AND TERM OF OFFICE.** The officers shall be elected by ballot, annually by the Board of Directors at the meeting of the Directors 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 may be. Each officer shall hold office until the first meeting of the Board of Directors 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 of Directors for the unexpired portion of the term.

Section 3. **REMOVAL OF OFFICERS AND AGENTS BY THE BOARD OF DIRECTORS.** Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any member having a petition signed by at least ten (10) per centum of the members charging an officer with violating his oath or position of trust may file same with the Secretary of the Cooperative. The Secretary shall regard such petition as a request for removal of that officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the Board of Director's 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 to the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of the officer shall be considered and voted upon at the next regular or special meeting of the Board of Directors and a vote of a majority of the Directors is required to remove that officer. In the event the Board of Directors does not remove such officer, the question of his removal shall be considered and voted upon at the next meeting of the members.

Section 4. **CHAIRMAN.** The Chairman shall:

- (a) be the principal executive officer of the Cooperative and, unless otherwise determined by the members or 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, 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 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 of Directors 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;
- (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 of Directors.

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 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 7A. **DELEGATION OF SECRETARY'S AND TREASURER'S RESPONSIBILITIES.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Section 6 and Section 7, the Board of Directors, by resolution, may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, the regular or routine administration of, one or more of such officers' duties to one or more agents, other officers or employees of the Cooperative who are not directors. To the extent that the Board does not delegate with respect to either such officer, that officer as such shall be released from such duties, responsibilities and authorities.

Section 8. **PRESIDENT AND CHIEF EXECUTIVE OFFICER.** The Board of Directors may appoint a president and chief executive officer who may be, but who shall not be required to be, a member of the Cooperative. The President and Chief Executive Officer shall perform such duties and shall exercise 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 be bonded 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 be bonded 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 of the Cooperative

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 members. No interest or dividends shall be paid or payable by the Cooperative on any

capital directly furnished by its members for the operation of the Cooperative.

Section 2. **PATRONAGE CAPITAL IN CONNECTION WITH THE FURNISHING OF ELECTRIC ENERGY.** In the furnishing of electric energy the Cooperative's operations shall be so conducted that all members 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 members for all amounts directly received and receivable from the furnishing of electric energy in excess of operating costs and expenses from them for the furnishing of such service properly chargeable against the furnishing of such service. All such amounts in excess of operating cost and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as capital. The Cooperative is obligated to pay by credits to a capital account for each member; all such amounts in excess of operating costs and expenses as are attributed to the actual provision of electric service. Capital amounts received indirectly through the process of providing electric service, such as G & T capital credits and such allocations from other related organizations, shall be assigned separately to the members on a patronage basis and may be paid in accordance with the guidance and direction of the Board of Directors. 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 member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the fiscal year (within 8 1/2 months) notify each member of the amount of capital so credited to his account. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the members in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts of capital.

All other amounts received by the Cooperative that are not directly related to its provision of electric service, shall insofar as permitted by law, be (a) used to offset any losses incurred during the current or prior fiscal year, (b) be utilized to enhance the viability of the Cooperative to provide on-going service(s) in the future and (c) to the extent not needed for those purposes, be allocated to its members on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of the members as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account property rights of members. If at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to the members' accounts may be retired in full or in part.

The Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital. The Board of Directors shall have the power to adopt rules providing for the separate retirement of the portion of the capital credited to the member's accounts designated to power supply provisions. These rules shall set forth a method of accounting for and crediting said power supply credits to each member's capital account, for proper notification of the member of the amount of this credited

capital on a fiscal year basis and provide for establishing an acceptable means of retirement of these power supply credits, which may be separate and apart from the general retirement of other capital credited to members. There shall be no general retirement of the power supply portions of credited capital in years when there is not a retirement of other credited capital for a given year; however, the Board of Directors shall not be required to authorize the payment of the power supply credited capital in conjunction with the retirement of other credited capital.

Capital credited to the account of each member 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 member's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise. In the event that a non-member patron shall elect to become a member of the Cooperative the capital credited to the account of such non-member member may be applied toward the payment of a membership fee on behalf of such non-member.

Notwithstanding any other provision of these bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any member who was a natural person, if the legal representatives of his estate shall request in writing that the capital credited to any such deceased member be retired prior to the time such capital would otherwise be retired under the provision of these bylaws, to retire capital credited to any such deceased member immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and in compliance with Article I, Section 4 (b) of these bylaws, and the legal representative of member's estate shall agree upon; provided, however that the financial condition of the Cooperative will not be impaired thereby.

The members of the Cooperative, by dealing with the Cooperative, acknowledge and agree that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Cooperative and each member and that both the Cooperative and the members are bound by such contract, as fully as though each member 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 member of the Cooperative by posting in a conspicuous place in the Cooperative's office.

Notwithstanding any provisions of these bylaws, any debt, however old, which any member may owe the Cooperative, shall be deducted from any retirement or assignment of capital credited to such member or former member.

Article VIII

Disposition of Property

Section 1. **EXECUTION OF MORTGAGES, DEEDS OF TRUST OR PLEDGES.** The Board of Directors of the Cooperative shall have full power and authority, without authorization by the members thereof, to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such

conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative to the United States of America, to any agency or instrumentality thereof, to a national financing institution, organized on a cooperative plan for the purpose of financing its members' programs, projects and undertakings, in which the Cooperative holds membership, or to any financing institution.

Section 2. **AUTHORITY OF MEMBERS.** The Cooperative may not sell, lease or otherwise dispose of all of the or any substantial portion of its property unless such sale, lease or other disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all members of the Cooperative; and unless the notice of such proposed sale, lease or other dispositions shall have contained in the notice of the meeting; provided, however, that notwithstanding any other provisions of this subheading, or any other provision of law, the Board of Directors 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 a foreign corporation doing business in this State pursuant to the Act under which this cooperative is incorporated.

Section 3. **COOPERATIVE ASSETS.** No sale, lease, lease-sale, exchange or other disposition of all or a substantial portion of the Cooperative's assets to any other entity shall be authorized except in conformity with the following:

- (a) If the Board of Directors looks with favor upon any proposal for such sale, lease, lease-sale exchange or other disposition, it shall first obtain an independent appraisal as to the value of the cooperative with respect to such sale, lease, lease-sale, exchange or other disposition, and as to any other terms and conditions that should be considered.
- (b) If the Board of Directors, after receiving such appraisal, determines that the proposal should be submitted for consideration by the members, it shall first give its cooperative wholesale power supplier and other distribution electric cooperatives with the same power supplier (which has not made such an offer for such sale, lease, lease-sale, exchange or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such other cooperatives, which notice shall be attached to a copy of the proposal which the cooperative has already received and a copy of the appraisal. Such other cooperatives shall be given not less than sixty (60) days during which to submit competing proposals and the actual minimum period within which proposals are to be submitted shall be fixed and shall be stated in the written notice given to them giving due consideration to the time required for the Rural Utilities Service (RUS) loan approval process.
- (c) If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof which meeting shall be held within sixty (60) days after the giving of such notice to the members provided, that consideration thereof by the members may be given at the next annual meeting if the Board so determines and if such annual meeting is held within sixty (60)

days after the giving of such notice.

- (d) Any one hundred (100) or more members, by so petitioning the board not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative, with cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

The foregoing provisions shall not apply to sale, lease, lease-sale exchange or other disposition of one or more other such cooperatives if the substantive effect thereof is to merge or consolidate with such other one or more cooperatives.

Article IX

Seal

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the word "Corporate Seal Maryland".

Article X

Financial Transactions

Section 1. **CONTRACT.** Except as otherwise provided in these bylaws, the Board of Directors 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 of Directors.

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 of Directors 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 (31st) day of December of the same year.

Article XI

Miscellaneous

Section 1. **BUSINESS ORGANIZATION.** The Cooperative may upon the authorization of the Board of Directors, purchase stock in or become a member of any corporation or organization, organized on a for-profit or non-profit basis, for the purpose of engaging in or furthering the objectives and principles of the Cooperative and of rural electrification, and any other purpose that may be lawfully carried out by any other corporation of this state, and shall be authorized to form, or have formed, such business entities as are beneficial to the financial well being, operation and viability of the Cooperative.

Section 2. **WAIVER OF NOTICE.** Any member or Director may waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or Director shall constitute a waiver of notice of such meeting by such member or Director, except in case of a member or Director who 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 3. **POLICIES, RULES AND REGULATIONS.** The Board of Directors shall have the power to make and adopt such policies, rules and regulations, not inconsistent with law, the articles of incorporation or these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

Section 4. **ACCOUNTING SYSTEM AND REPORTS.** The Board of Directors 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. The Board of Directors 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 the end of such fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting.

Section 5. **SUBSCRIPTION TO RURAL LIVING.** The Board of Directors shall be empowered and authorized to subscribe to RURAL LIVING magazine on behalf of and for circulation to the individual members of the Cooperative at an annual subscription rate which shall not be less than \$2.20 nor more than \$5.00 and such subscription shall be paid for each member by the Cooperative from any funds accruing in favor of each member so as to reduce such funds in the same manner as would any other expense of the Cooperative.

Section 6. **ASSIGNMENT AND GIFT FAILURE TO CLAIM.**

- (a) Notwithstanding any other provisions of the bylaws, if any member or former member fails to claim any cash retirement of capital credits or other payment from the Cooperative within three (3) years after payment of the same has been made available to such member by check mailed to such member at his last address furnished by such member to the Cooperative, such failure shall be and constitutes an assignment and gift by such member of such capital credit or other payments to the Cooperative.
- (b) Failure to claim any payment within the meaning of this section shall include the failure of such member or former member to cash any check mailed to such member by the Cooperative at the last address furnished by such member to the Cooperative.
- (c) The assignment and gift provided for under this section shall become effective only upon the expiration of three (3) years from the date when such payment was made available to such member or former member without claim therefore and only after the further expiration of sixty (60) days following the giving of a notice by mail or publication that unless such payment is claimed within sixty (60) days, such gift to the Cooperative shall become effective.
- (d) The notice by mail herein provided shall be one mailed by the Cooperative to such member or former member at the last known address. If notice by publication is given, such publication

shall be one insertion in a newspaper circulated in the service areas of the Cooperative.

- (e) The sixty (60) day period following the giving of such notice, either by mail or publication shall be deemed to terminate sixty (60) days after the mailing or publication of such notice.

- (f) This provision shall be applicable to all capital credits accruing after January 1, 1985.

Article XII

Indemnification

Each officer, director, staff member, employee or person serving on a committee of the Cooperative, shall be and is hereby indemnified by the Cooperative against all costs and expenses actually and necessarily incurred by them in connection with the defense of any action, suit, or proceedings, in which they are made a party by reason of their being or having been a director, officer, staff member, employee or committee representative of this Cooperative, whether or not they continue to be such at the time of incurring such cost or expense, except in relation to matters as to which they shall be adjudged in such action, suit or proceedings to be liable for gross negligence or misconduct in the performance of their duties as such officer, director, staff member, employee or committee representative. The right of indemnification hereunder shall be exclusive of other rights to which any officer, director, staff member, employee or committee representative may be entitled to as a matter of law.

Article XIII

Amendments

These bylaws may be amended or repealed by the affirmative vote of a majority of those members voting at any regular or special meeting, except that any percentage vote exceeding a simple majority for taking any action set forth in these bylaws may be deleted only by a percentage vote of the members of at least the same percentage required by that action, provided notice of such amendment or repeal shall have been given as provided for in Section 3 of Article III. Any proposed amendment or repeal of these bylaws may be initiated by the Board of Directors by appropriate resolution, or by a written petition signed by at least three hundred (300) members, presented to the Secretary at least sixty (60) days prior to the meeting at which the proposed amendment is to be voted upon.

NOTES

CHOPTANK ELECTRIC COOPERATIVE

The Past and Present

Choptank Electric Cooperative is a non-profit, member-owned electric utility that provides service to member-owners in all nine counties of Maryland's Eastern Shore. The Cooperative was founded in 1938 by a local group of pioneers who were determined to improve the quality of life for the rural areas of the Eastern Shore. They were committed to raising the standard of living to a point where the conveniences then enjoyed only in urban areas would be available to all rural residents who wanted them. The Cooperative has grown from 152 meters on the first line energized to over 40,000 meters after over six decades in business.

Today the Cooperative serves diverse customer groups. For the most part, the member base of Choptank is residential; however, there are significant commercial and industrial segments to the Choptank market mix. And, as in the beginning, agriculture still plays a very important role in the day-to-day operation.

The Cooperative Advantage

Throughout the course of its history, Choptank Electric Cooperative has provided its members with the opportunity to participate in their business. By voting for members of the Board of Directors and on Bylaw changes, members have a voice in the direction their business goes. In addition all margins (profits) are allocated back to the member for repayment in the future to the member on the basis of their electric purchases in a given year. These are called capital credits. They are returned to members in accordance with the provision of the Bylaws and within the parameters set by the mortgage held by the National Rural Utilities Cooperative Finance Corporation.

Our Goal

It is the purpose and pleasure of the management and employees of Choptank Electric Cooperative to serve the residents and businesses in the Cooperative service territory. Under the guidance of the Board of Directors, the Cooperative will do all that it can to provide excellent service and top value to its members. Please take a moment to review our Mission Statement on the inside front cover; it sums up our commitment to our members.

Choptank Electric Cooperative

877-892-0001 (toll free)

Outage Reporting:

**1-800-410-4790, toll free,
24 hours a day, 7 days a week.**

Automated Customer

Service Line:

**1-800-311-8556, toll free
410-479-4206 (Caroline Co.)**

General information:

Berlin office 877-892-0001
Cambridge office 877-892-0001
Denton office 877-892-0001
Pocomoke office 877-892-0001
Salisbury office 877-892-0001
Chestertown office 877-892-0001

Internet address:

www.choptankelectric.coop

Choptank Electric Cooperative
P.O. Box 430, Denton, MD 21629
A Touchstone Energy Cooperative