

## **Article 4: Directors**

### **SECTION 4.01. NUMBER AND GENERAL POWERS.**

The business and affairs of the Cooperative shall be managed by a Board of ten directors, which shall exercise all the powers of the Cooperative, except such as are by law or by the articles of conversion of the Cooperative or by these bylaws conferred upon or reserved to the members.

### **SECTION 4.02. QUALIFICATIONS.**

No person shall be eligible to become or remain a director of the Cooperative who is a close relative of an incumbent director or of an employee of the Cooperative, or is not a member of the Cooperative and receiving service therefrom at his primary residential abode, and is not a citizen of the United States; PROVIDED, the operating or chief executive of any member which is not a natural person, such as a corporation, church, etc., or his designee, shall, notwithstanding that he does not receive service from the Cooperative at his primary residential abode, be eligible to become a director, from the Directorate District in which such member is located, if he or such designee (1) is in substantial permanent occupancy, direction or use of the premises served by the Cooperative, and (2) is a permanent and year-round resident within or in close proximity to an area served by the Cooperative; BUT PROVIDED FURTHER, no more than one (1) such person may serve on the Board of Directors at the same time. 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 eighteen (18) years of age or is in any way employed by or substantially financially interested in a competing enterprise, or a business selling electric energy or supplies to the Cooperative, or a business substantially engaged in selling electrical or plumbing appliances, fixtures or supplies primarily to the members of the Cooperative, and no person shall take or hold office as a director who is an incumbent or candidate for an elected public office to which full time is devoted and for which a full time salary is paid. Notwithstanding any of the foregoing provisions of this Section treating with close relative relationships, no incumbent director shall lose eligibility to remain a director or to be re-elected 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 establishment of the fact that a nominee for director lacks eligibility under this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the chairman presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. 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 to cause him to be removed therefrom, as the case may be. Nothing contained in this Section shall, or shall be construed to, affect 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 a matter which is affected by the provisions of this Section and in which one or more of the directors have an interest adverse to that of the Cooperative.

### **SECTION 4.03. ELECTION.**

At each annual meeting of the members, directors shall be elected by secret written ballot by the members and, except as provided in the first proviso of Section 4.02 of these Bylaws, from among those members who are natural persons. Directors shall be elected by a plurality of the votes cast. Drawing by lot shall resolve, where necessary, any tie votes.

#### **SECTION 4.04. TENURE.**

Directors shall be so nominated and elected that either three or four directors from or with respect to each of the Directorate Districts vacancies in any year shall be elected for a three year term at the annual meetings. In 1991, a new director vacancy is to be created for a total of four vacancies. Thereafter, all vacancies created by expiring terms shall be for a three year term.

Upon their election, directors shall, subject to the provisions of these Bylaws with respect to the removal of directors, serve until the annual meeting of the members of the year in which their terms expire or until their successors shall have been elected and shall have qualified. If for any reason an election of directors shall not be held at an annual meeting of the members duly fixed and called pursuant to these Bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special or the next annual meeting of the members. Failure of an election for a given year shall allow the incumbents to remain in office for another term subject to the provisions of Section 4.08.

#### **SECTION 4.05. DIRECTORATE DISTRICTS.**

The territory served by the Cooperative shall be divided into two Directorate Districts, each having five directors. District description and/or boundaries will be on display on the Cooperative system map, publicly displayed in each local Cooperative office.

#### **SECTION 4.06. NOMINATIONS.**

It shall be the duty of the Board of Directors to appoint a Committee on Nominations prior to the annual meeting of the members each year to serve for the ensuing year, and said committee shall be announced at the annual meeting of members. This Committee on Nominations shall consist of not less than five (5) nor more than fifteen (15) members of the Cooperative who are not existing Cooperative employees, agents, officers, directors or known candidates for director or close relatives or members of the same household thereof, and who are so selected that each of the Cooperative's Directorate Zones shall have representation thereon in proportion to the authorized number of directors from or with respect to such District. The Committee shall prepare and post in an appropriate place at the principal office of the Cooperative at least forty-five (45) days prior to the meeting a list of nominations for directors to be elected, listing separately the nominee(s) for each Directorate Zone from or with respect to which a director must, pursuant to this Article, be elected at the meeting. The Committee shall nominate one or more nominees for any directorship to be elected. Any fifteen (15) or more members of the Cooperative, acting together, may make additional nominations in writing over their signatures, listing their nominee(s) in like manner, not less than forty (40) 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 Secretary shall mail to the members with the notice of the

meeting, or separately but not less than the number of days prior to the meeting required for delivery of such notice, a statement of the names and addresses of all nominee(s) for each Directorate Zone from or with respect to which one or more directors are to be elected, showing clearly those nominated by the Committee and those nominated by petition, if any.

Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of directors.

#### **SECTION 4.07. VOTING FOR DIRECTORS; VALIDITY OF BOARD ACTION.**

In the election of directors, each member shall be entitled to cast the number of votes (but not cumulatively) which corresponds to the total number of directors to be elected, but no member may vote for more than the number of nominees from or with respect to any particular Directorate District than there are to be elected. Ballots marked in violation of the foregoing restriction with respect to one or more Directorate Districts shall be invalid and shall not be counted with respect to such District or Districts. Notwithstanding the provisions contained in this Section, failure to comply with any of them shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of directors.

#### **SECTION 4.08. REMOVAL OF DIRECTORS BY MEMBERS.**

Any member may bring one or more charges against any one or more directors, alleging acts or omissions adversely affecting the business and affairs of the Cooperative and amounting to actionable negligence, malfeasance, misfeasance, nonfeasance, fraud or criminal conduct, and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition, signed by not less than ten (10%) percent of the total membership of the Cooperative, which calls for a special member meeting thereon and specifies the place, time and date thereof not less than forty (40) nor more than forty-five (45) days after the filing of such petition, or which requests that the matter be acted upon at the subsequent annual member meeting if such meeting will be held no sooner than forty (40) nor more than ninety (90) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s) is (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 signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made and of the member(s) filing the charge(s) shall be contained in the notice of the meeting or separately noticed to the members not less than five (5) days prior to the member meeting at which the matter will be acted upon; PROVIDED, the notice shall set forth (by random selection but otherwise in alphabetical order) only twenty (20) of the names and addresses of the charging members, if twenty (20) or more members file the same charges(s) against the same director(s). Such director(s) shall be informed in writing of the charges after they have been validly filed and at least twenty-five (25) days prior to the meeting of the members at which the charge(s) 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 of the charges(s), and shall be heard last; and the person(s) bringing the charge(s) shall have the same opportunity, but shall be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting. A two-thirds vote of members attending the Special Meeting would be required for removal. Any vacancy created by such removal shall be filled by the Board of Directors at such meeting without compliance with the foregoing provisions with respect to nominations; PROVIDED, the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents, or otherwise; AND PROVIDED FURTHER, no director shall be so removable from office for the reason that he, in good faith and believing such to be in the best interests of the Cooperative and of its present and future members, failed or declined to support, or that he opposed, (1) a proposal to sell or lease-sell 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 a proposal received by the Cooperative for such a sale, lease-sale or dissolution, or (3) a motion or any other effort to call a meeting of the Cooperative's members to consider and act upon a proposal for such a sale, lease-sale or dissolution. A newly elected director shall be from or with respect to the same Directorate District as was the director whose office he succeeds and shall serve out the unexpired portion of the removed director's term.

#### **SECTION 4.09. VACANCIES.**

Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the Board of Directors. A director thus elected shall be from or with respect to the same Directorate District as was the director whose office was vacated and shall serve out that director's unexpired term or until a successor is elected and qualified.

#### **SECTION 4.10. COMPENSATION; EXPENSES.**

Directors shall, as determined by resolution of 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 of the Board of Directors. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and 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, 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, 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 4.11. RULES, REGULATIONS, RATE SCHEDULES AND CONTRACTS.**

The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, 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 Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

#### **SECTION 4.12. 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 condition, 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 conditions as of the end of, such year. A summary of such audit reports shall 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 4.13. 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 the statewide publication, The Tennessee Magazine, or a successor such publication, the annual subscription price for which shall be not less than \$2.60 nor more than \$6.00, and which shall be deducted from any funds accruing in favor of such members, so as to reduce such funds in the manner as would any other expense of the Cooperative.

#### **SECTION 4.14. NEPOTISM.**

No close relative of a director, officer or the president shall be a paid employee of the Cooperative. As used in these bylaws, "close relative" means a person who, by blood or in law, including step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece of the principal.