

BYLAWS

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Sand Mountain Electric Cooperative

Aim

The aim of Sand Mountain Electric Cooperative (hereinafter called the 'Cooperative') is to make electric energy available to its members at the lowest cost consistent with sound economy and good management.

Bylaws amended April 25, 2009

ARTICLE I
Members

Section 1. Qualifications and Obligations. Any person, firm, corporation or body politic may become a member in the Cooperative by:

(a) paying the membership fee hereinafter specified;

(b) agreeing to purchase from the Cooperative electric energy as hereinafter specified; and

(c) agreeing to comply with and be bound by the Alabama Electric Cooperative Act of 1939, by the articles of Incorporation of the Cooperative and these bylaws and any amendments thereto and such rules and regulations as may from time to time be adopted by the board of trustees; **provided, however,** that no person, firm, corporation or body politic shall become a member unless and until he or it has been accepted for membership by the board of trustees or the members. At each meeting of the members of the Cooperative, all applications received more than ninety (90) days prior to such meeting and which have not been accepted by the board of trustees shall be submitted by the board of trustees to such meeting of the members, and subject to compliance by the applicant with the conditions set forth in subdivisions (a), (b) and (c) of this section, such application for membership may be accepted by a vote of the members at such meeting. The Secretary shall give any such applicant at least ten (10) days prior notice of the date of the members' meeting to which his application will be submitted and such applicant may be present and heard at the meeting.

A husband and wife may jointly become a member and their application for a joint membership may be accepted in accordance with the foregoing provisions of this section provided the husband and wife comply jointly with the provisions of the above subdivisions (a), (b) and (c).

Section 2. Membership Fee; Meter Deposits; Service Security and Facilities Extension Deposits; and Contributions in Aid of Construction.

(a) The membership fee shall be \$25.00. The membership fee (together with any service security deposit, or service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, or any combination thereof, if required by the Cooperative) shall entitle the member to one service connection. A meter 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, or any combination thereof, if required by the Cooperative) shall be paid by the member for each additional meter.

(b) This bylaw amendment shall not be retroactive and the membership fee for those members receiving service at the time of the approval of this bylaw amendment shall not be increased and shall remain the same as provided by the bylaws of the Cooperative at the time of acceptance of said members.

Section 3. Service to Non-Members. The Cooperative shall render service to its members only; **provided, however,** that service may be rendered to governmental agencies and political subdivisions, and to other persons not in excess of ten per centum (10 percent) of the number of its members; and **provided, further,** that should the Cooperative acquire any electric facilities dedicated or devoted to the public use it may, for the purpose of continuing and avoiding hardship and to an extent which together with all other persons served by the Cooperative on a nonmember basis shall not exceed forty per centum (40 percent) of the total number of persons served by the Cooperative, continue to serve the persons served directly from such facilities at the time of such acquisition without requiring the such persons become members; and provided, further, that such non-members shall have the right to become members upon nondiscriminatory terms.

Section 4. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises referred to in the application of such member for membership, and shall pay therefor monthly at such rates as shall be appropriately fixed by the board of trustees; **provided, however,** that the electric energy which the Cooperative shall furnish to any member may be limited to such an amount as the board of trustees shall from time to time determine and that each member shall pay to the Cooperative such minimum amount per month as shall be fixed by the board of trustees from time to time for each class of service, regardless of the amount of electric energy consumed; and **provided, further,** that in the event any applicant for membership desiring to purchase electric energy for other than residential use shall have, previous to his or its application, customarily generated electricity for his or its own purposes, such applicant may be admitted into membership of the Cooperative without the necessity of agreeing to purchase all electricity from the Cooperative and upon such terms and conditions as the board of trustees in its discretion may prescribe. Each member shall also pay all obligations which may from time to time become due and payable by such member to the Cooperative as and when the same shall become due and payable.

Section 5. Non-Liability for Debts of the Cooperative. The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

Section 6. Expulsion of Members. The board of trustees of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the Alabama Electric Cooperative Act of 1939, or the articles of Incorporation of the Cooperative or these bylaws or any rules or regulations adopted from time to time by the board of trustees. Any member so expelled may be reinstated as a member by a vote of the members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

Section 7. Transfer, Termination, and Withdrawal of Memberships.

(a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board may prescribe.

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

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

(d) A membership may be transferred by a member to himself or herself and his or her spouse, as the case may be, jointly upon the written request of such member and compliance by such husband and wife jointly with the provisions with respect to membership set forth in Section 1 of this Article. When membership is held jointly by a husband and wife, upon the death of either such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered

by the survivor and upon the recording of such death on the books of the Cooperative the certificate may be reissued to and in the name of such survivor; **provided, however,** that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

Section 8. Change in Premises to be Served. Any member who moves from one location to another shall be entitled to receive service at his new location if (a) the member notifies the Cooperative of his change in location, describing the new premises and the type and approximate amount of service desired therefor, (b) the new location is within the area of service of the Cooperative, as determined by the board of trustees, and (c) such member pays a reasonable connection charge, the amount of which shall be determined by the board.

Section 9. Removal from Service Area of Cooperative.

(a) When in the judgment of the board of trustees the financial condition of the Cooperative justifies it, the board may authorize the refund of the membership fee to members who have disposed of premises served by the Cooperative or removed from its service area.

(b) In case the Cooperative disposes of facilities which are necessary for the service of any members thereof, such members shall be notified of such disposition at least two (2) months in advance and shall be entitled to have their respective memberships repurchased by the Cooperative.

Section 10. Security Deposits. When the membership fee (as such meter deposit as may be required with respect to service to non-members) does not in the judgment of the board of trustees constitute sufficient security for the payment of bills for electric energy, the board of trustees may require such customer to post a deposit with the Cooperative in an amount deemed sufficient to secure such payment.

Section 11. Wiring. Service to any person may in the discretion of the board of trustees be conditioned upon such person furnishing to the Cooperative the certificate of a reputable inspector stating that the wiring of the premises served or to be served complies with all local regulations and is in accordance with the latest rules and regulations of the National Electrical Code of the National Board of Fire Underwriters for the installing of electric wire, apparatus, and appliances, and is in accordance with the wiring specifications prescribed by the Rural Utilities Service. The requirement or waiver of such a certificate, however, or the supplying of service on the basis thereof, shall not subject the Cooperative to liability to any member or other person for any damages or injuries sustained by reason of defects existing in the wiring of such premises.

Section 12. Easements for Cooperative's Lines. Members shall, without charge to the Cooperative, grant to it easements over land owned by them for the transmission and distribution lines of the Cooperative, and the board of trustees may require from applicants for membership the return of any payments previously made to such applicants for easements.

Section 13. Removal of Trustees and Officers. Any member may bring charges against an officer or trustee by filing them in writing with the Secretary, together with a petition signed by ten per centum (10 percent) of the members, requesting the removal of the officer or trustee in question. The removal shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The trustee or officer against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity.

ARTICLE II

Meeting of Members

Section 1. Annual Meeting.

The annual meeting of the members shall be held on such day between April 1 and September 30 of each year, beginning with the year 1996, and at such place in the service area of the Cooperative in the State of Alabama, as shall be designated by the Board of Trustees, and shall be put in the notice of the meeting.

The annual meeting of the members shall be held for the purpose of electing trustees, passing upon reports covering the previous year, and transacting such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If the election of trustees shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the board of trustees shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Members, who register in advance of the Annual Meeting, may cast their ballot or vote in the manner set by the Board of Trustees up to thirty-six hours in advance of the start of the business session of the Annual Meeting. Advance registration and voting shall be in accordance with the time, place and procedures as set by the Board of Trustees. Members desiring to register and vote in advance of the actual business session, shall do so only at the place, times and in accordance with the procedures designated in the notice of Annual Meeting and by the Board of Trustees.

Section 2. Special Meetings. Special meeting of the members may be called by the board of trustees, by any three (3) trustees, by the President, or upon a written request signed by at least ten per centum (10 percent) 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 the Counties of DeKalb or Jackson in the State of Alabama which may be specified in the notice of the special meeting.

Section 3. Notice of Members' Meetings. Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than five (5) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or 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 his address as it appears on the records of the Cooperative, with postage thereon prepaid. In case of a joint membership, notice given to either husband or wife shall be deemed notice to both joint members. 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. As long as the total number of members does not exceed five hundred (500), at least ten per centum (10 percent) of the total number of members present in person shall constitute a quorum for the transaction of business at all meetings of the members. In case the total number of members shall exceed five hundred (500) then at least fifty (50) members or three per centum (3 percent) of the members, whichever shall be the larger, shall constitute a quorum for the transaction of business at all meetings of the members. In case of a joint membership, the presence at a meeting of either husband or wife, or both, shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice.

Section 5. Voting. Each member shall be entitled to one (1) vote

and no more upon each matter submitted to a vote at a meeting of the members, regardless of the number of memberships held. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of the plurality of the members voting thereon in person or by proxy, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or Article II, Section I or elsewhere in these bylaws. If a husband or wife hold a joint membership they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

Section 6. Proxy and Mail Voting.

(a) At all meetings of the members, a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting.

No person shall vote as a proxy, unless themselves a member, and then shall not vote as proxy for more than (1) member at any meeting of the members, and no proxy shall be valid after sixty days from the date of its execution. The presence of a member at a meeting of the members shall revoke a proxy theretofore executed by him and such member shall be entitled to vote at each meeting in the same manner and with the same effect as if he had not executed a proxy. In case of a joint membership a proxy may be executed by either the husband or wife. The presence of either husband or wife at a meeting of the members shall revoke a proxy theretofore executed by either of them and such joint member or members shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed.

(b) Any member who is absent from any annual or special meeting of the members may vote by mail upon any motion or resolution to be acted upon at any such meeting in connection with the borrowing of funds from the United States of America or any instrumentality, or agency thereof, or any other lending Cooperative or lending institution. An exact copy of such motion or resolution to be acted upon and such absent member shall express his vote thereon by writing "yes" or "no" on each such motion or resolution in the space provided therefor and enclose each such copy so marked in a sealed envelope bearing his name and address to the secretary. When such written vote so enclosed is received by mail from any absent member it shall be accepted and counted as a vote of such absent member at such meeting. If a husband and wife hold a joint membership and are absent from any annual or special meeting of the members they shall jointly be entitled to vote by mail as provided in this section. The failure of any such absent member to receive a copy of any such motion or resolution or ballot shall not invalidate any action which may be taken by the members at any such meeting.

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:

1. Call of the roll or report on registration of members.
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 or request the dispensation of reading of the unapproved minutes.
4. Election of trustees.
5. Consideration of annual reports.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE III

Trustees

Section 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of nine (9) trustees which shall exercise all of the powers of the Cooperative except such as are by law or by the Articles of Incorporation of the Cooperative or by these bylaws conferred upon or reserved to the members. The territory served, or to be served, by the Cooperative shall be divided into nine (9) districts. Each district shall be represented by one trustee who must be a member receiving service from the Cooperative within the district which he represents. The original nine (9) districts shall be fixed by the board of trustees as soon as feasible following the adoption of the bylaws.

The board of trustees at any regular or special meeting thereof held not less than thirty (30) days prior to any annual meeting of the members or special meeting of the members held in lieu of such annual meeting may by resolution alter the geographical boundaries of the nine (9) districts with the aim of arranging more equitable districting. The boundaries of such districts shall be so fixed that each district shall contain approximately the same number of members. A violation of such districting provisions shall not, however, affect the validity of any corporate action.

Section 2. Qualifications and Tenure. At the annual meeting of the members of the Cooperative in 1957, the trustees shall be elected by ballot for staggered terms by and from the members of the Cooperative. Trustees to represent Districts Three (3), Seven (7) and Eight (8) shall be elected for terms of one year; trustees to represent District One (1), Four (4) and Six (6) shall be elected for terms of two years, and trustees to represent Districts Two (2), Five (5) and Nine (9) shall be elected for terms of three years. At each annual meeting thereafter, trustees shall be elected to succeed those whose terms shall expire, to serve for three years, or until their successors have been elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of trustees. No member shall be eligible to become or remain a trustee or to hold any position of trust in the Cooperative who is not a bonafide resident in the area served by the Cooperative, and receiving service therefrom at his primary residential abode, or who is an employee of the Cooperative or has been an employee of the Cooperative, or who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative, and no person shall take or hold office as a trustee who is the incumbent of or candidate for an elective public office in connection with which a salary is paid. Upon establishment of the fact that a board member is holding the office in violation of any of the foregoing provisions, the Board shall remove such board member from office. When a membership is held jointly by a husband and wife, either one, but not both, may be elected a trustee, provided, however, that neither one shall be eligible to become, or remain, a trustee or to hold a position of trust in the Cooperative unless both shall meet the qualifications herein above set forth. Nothing in this section contained shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the board of trustees.

Section 3. Nominations.

It shall be the duty of the board of trustees to appoint not less than sixty (60) days nor more than one-hundred twenty days (120) days before the date of the meeting of the members at which trustees are to be elected, a committee on nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected so as to give equitable representation on the committee to the geographical areas served by the Cooperative. No officer or member of the board of trustees shall be appointed a member of such committee. The committee shall prepare and post at the principal office of the Cooperative at least twenty

(20) days before the meeting a list of at least (2) nominations for each district where the trustee's term is expiring and is thus open for election, but any fifteen (15) or more members may make other nominations in writing over their signatures not less than forty-five (45) days prior to the meeting and the Secretary shall post the same at the same place where the list of nominations made by the committee is posted. The Secretary shall mail with the notice of the meeting a statement of the number of trustees to be elected and showing separately the nominations made by the committee on nominations and the nominations made by petition, if any. Additional nominations may not be made from the floor at the meeting of the members. Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of trustees.

Section 4. Vacancies. Subject to the provisions of these bylaws with respect to the removals of trustees, vacancies occurring in the board of trustees shall be filled by a majority vote of the remaining trustees and trustees thus elected shall serve the remainder of the unexpired term or until their successors shall have been elected and shall have qualified.

Section 5. Compensation. Trustees as such shall not receive any salary for their services, but by resolution of the board of trustees a fixed sum, which may include other benefits, and expenses of attendance, if any, may be allowed for attendance at each meeting of the board of trustees, and each day on committee assignment or a representative of the Cooperative, attending meetings of associations or groups working for the betterment of the Cooperative. Except in emergencies, no trustee shall receive compensation for serving the Cooperative in any other capacity.

Section 6. Rules and Regulations. The board of trustees shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation of the Cooperative or these bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

Section 7. Accounting System and Reports. The accounts of the Cooperative shall be established and maintained in such form, subject to any contractual obligations of the Cooperative, as the board of trustees may prescribe. All accounts of the Cooperative shall be examined by a committee of the board of trustees which shall render reports to the board of trustees at least four (4) times a year at regular meetings of the board of trustees. The board shall also within thirty (30) days after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the following annual meeting.

Section 8. Change in Rates. Written notice shall be given to the Administrator of the Rural Utilities Services of the United States of America and to each holder of long term indebtedness of the Cooperative not less than thirty (30) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective and, subject however to then existing contractual obligations of the Cooperative as expressed in mortgages and deeds of trust, such proposed change shall not become effective until approved by the holder or holders of not less than seventy-five centum (75 percent) in principal amount of such long term secured indebtedness.

ARTICLE IV

Meetings of Trustees

Section 1. Regular Meetings. A regular meeting of the board of trustees shall be held without notice other than this bylaw, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the board of trustees shall also be held monthly at such time and place in DeKaib or Jackson Counties, Alabama, as the board of trustees may provide by resolution. Such regular monthly meet-

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

Section 2. Special Meetings. Special meetings of the board of trustees may be called by the President or any three (3) trustees. The person or persons authorized to call special meetings of the board of trustees may fix the time and place (which shall be in DeKalb or Jackson Counties, Alabama), for the holding of any special meeting of the board of trustees called by them.

Section 3. Notice. Notice of the time, place and purpose of any special meeting of the board of trustees shall be given at least three (3) days previous thereto, by written notice, delivered personally or mailed, to each trustee at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a trustee at any meeting shall constitute a waiver of notice of such meeting except in case a trustee shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. Quorum. A majority of the board of trustees shall constitute a quorum for the transaction of business at any meeting of the board of trustees, provided, that if less than a majority of the trustees is present at said meeting, a majority of the trustees present may adjourn the meeting from time to time without further notice.

Section 5. Manner of Acting. The act of the majority of the trustees present at a meeting at which a quorum is present shall be the act of the board of trustees, with the exception of the limitation placed on the expulsion of members.

ARTICLE V

Officer

Section 1. Number. The officers of the Cooperative shall be a president, vice president, secretary, treasurer, and such other officers as may be determined by the Board of Trustees from time to time. The offices of secretary and of treasurer may be held by the same person.

Section 2. Election and Term of Office. The officers shall be elected, by ballot, annually by and from the board of trustees at the first meeting of the board of trustees held after each 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 trustees following 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 these bylaws with respect to the removal of officers.

Section 3. Removal. Any officer or agent elected or appointed by the board of trustees may be removed by the board of trustees whenever in its judgment the best interests of the Cooperative will be served thereby.

Section 4. Vacancies. Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the board of trustees for the unexpired portion of the term.

Section 5. President. The President:

(a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the board of trustees;

(b) shall sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by resolution of the board of trustees, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of trustees to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of trustees 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 shall perform all duties incident to the office of President and such other duties as may be prescribed by the board of trustees from time to time.

Section 6. 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 the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned to him by the board of trustees.

Section 7. Secretary. The Secretary shall be responsible for seeing that the following are performed:

(a) keep the minutes of the members and the board of trustees in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with these bylaws, or as required by law;

(c) be custodian of the Cooperative records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed 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) keep a register of the post office address of each member which shall be furnished to the Secretary by such member;

(e) sign with the President certificates of membership, the issue of which shall have been authorized by resolution of the board of trustees;

(f) have general charge of the books of the Cooperative in which a record of the members is kept;

(g) keep on file at all times a complete copy of the 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 forward a copy of the bylaws and of all amendments thereto to each member; and

(h) in general perform 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 trustees.

Section 8. Treasurer. The Treasurer shall be responsible for seeing that the following are performed:

(a) have charge and custody of and be responsible for all funds and securities of the Cooperative;

(b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit 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) 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 trustees.

Section 9. Manager. The board of trustees may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall have general oversight, care and management of the property and business of the Cooperative and shall perform such additional duties and have such additional authority as the board of trustees may from time to time require of or vest in him, provided, however, that the manager shall always be subject to the direction and management of the board of trustees through action taken at regular or special meetings of the board.

Section 10. Bonds of Officers. The board of trustees shall require the Treasurer or any other officer 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 trustees shall determine. The board of trustees in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

Section 11. Compensation. The compensation, if any, of any officer, agent or employee who is also a trustee, shall be determined by the members, and the powers, duties and compensation of any officers, agents and employees shall be fixed by the board of trustees.

Section 12. 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 year and showing the condition of the Cooperative at the close of such year.

Section 13. Nepotism. No close relative of a trustee, officer or the manager shall be a paid employee of the Cooperative.

ARTICLE VI

Contracts, Checks and Deposits.

Section 1. Contracts. Except as otherwise provided in these bylaws, the board of trustees 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 payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed 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 trustees.

Section 3. Deposits. All funds 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 trustees may select.

ARTICLE VII

Membership Certificates

Section 1. Certificates of Membership. If the Board of Trustees so resolves, membership in the Cooperative may 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 trustees not contrary to, or inconsistent with, the Articles of Incorporation of the Cooperative or these bylaws. If the board of trustees does not elect to issue membership certificates, all references herein to membership certificates shall be inapplicable.

Section 2. Issue of Membership Certificates. No membership certificates shall be issued for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid for in cash, and such payment has been deposited with the Treasurer.

Section 3. Lost Certificate. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Cooperative as the board of trustees may prescribe.

ARTICLE VIII

Revenues and Receipts

Revenues of the Cooperative for any fiscal year in excess of the amount thereof necessary for:

(a) payment of all current operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, taxes and insurance;

(b) payment, at maturity, of interest on all bonds, notes or other principal indebtedness issued by, or the payment of which shall have been assumed by, the Cooperative, and for amortization charges on all such bonds, notes or other principal indebtedness and/or sinking fund payments thereon;

(c) the establishment and maintenance of reasonable reserves for replacements, new construction, and for contingencies, and to provide a

reasonable amount of cash working capital; and

(d) payment of, or the establishment and maintenance of a reserve in an amount sufficient for the payment of all bonds, notes or other principal indebtedness, including interest thereon to the date of actual payment, shall, subject to contractual obligation of the Cooperative, be distributed by the Cooperative to its members as either (1) patronage refunds prorated in accordance with the patronage of the Cooperative by the respective members paid for during such fiscal year, or (2) by way of general rate reductions, or (3) by combination of such methods.

ARTICLE IX

Disposition of Property

Section 1. Sale and Encumbrance. The Cooperative may not sell, mortgage, lease, or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease, or other disposition or encumbrance is authorized at a duly held meeting of the members thereof by the affirmative vote of not less than two-thirds of all such members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease, or other disposition or encumbrances shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, or any other provisions of law, the board of trustees of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon terms and conditions as the board of trustees shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality, or agency thereof, or any other lending Cooperative or lending institution.

Section 2. Property Interest of Members. In the furnishing of electric energy the Cooperative's operation shall be conducted so that all patrons will through their patronage furnish capital for the Cooperative. The Cooperative shall and does operate on a nonprofit basis and all amounts received and receivable from furnishing electric service, in excess of operating costs and expense, shall be the patron's pro rate share of contributed capital. Revenue in excess of operating costs and expense shall be used first to offset shortages of prior years and then as a reserve for future years, but when the Board shall determine that the financial condition of the Cooperative will not be impaired the electric rates shall be reduced as provided in Article VIII of these bylaws.

In the event of liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, any reserves or shortages, shall not withstand the provisions of Section 8b of Article I of these bylaws, be prorated among all members and heirs of deceased members on the basis of capital contributed. Capital gain for the member who cancels membership with the Cooperative or heirs of the deceased member shall be prorated to the end of the fiscal year in which the membership terminated. The books of the Cooperative shall be kept in a manner that each member's capital contributions can be ascertained.

However, should any patron or member discontinue service and not pay the final bill, all or any part needed of his capital contribution shall be applied on this indebtedness and only the amount in excess of this indebtedness shall be the member's capital contribution.

ARTICLE X

Waiver of Notice

Any member or trustee may waive, in writing, any notice of meetings required to be given by these bylaws.

ARTICLE XI

Fiscal Year

The fiscal year of the Cooperative shall begin on the first day of July of each year and end on the thirtieth day of June of the following year.

ARTICLE XII

Membership in Other Organizations

The Cooperative shall not become a member of any other organization, except a non-profit cooperative organization, performing central billing or other services for its members, without an affirmative vote of the members at a meeting called as provided in these bylaws, and the notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business.

ARTICLE XIII

Seal

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name Sand Mountain Electric Cooperative and the words "Corporate Seal, Alabama."

ARTICLE XIV

Amendments

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

Any change in the statute under which the Cooperative is organized shall be deemed to automatically amend these bylaws to conform with such change in the statute.

Bylaws as amended Sept. 6, 1946; Sept. 4, 1952; Aug. 22, 1957; Sept. 3, 1964; Aug. 24, 1967; Aug. 22, 1968; Sept. 26, 1970; Aug. 19, 1972; Aug. 18, 1973; Aug. 18, 1979; Sept. 22, 1984; Sept. 21, 1985; Sept. 16, 1995; and April 25, 2009.

SAND MOUNTAIN ELECTRIC COOPERATIVE STATEMENT OF NONDISCRIMINATION

Sand Mountain Electric Cooperative is the recipient of Federal financial assistance from the Rural Utilities Service, an agency of the U.S. Department of Agriculture.

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202)720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800)877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.

DECLARACIÓN A NO DISCRIMINACIÓN DE SAND MOUNTAIN ELECTRIC COOPERATIVA

De acuerdo con la ley federal de derechos civiles y las reglamentaciones y políticas de derechos civiles del Departamento de Agricultura de Estados Unidos (U.S. Department of Agriculture, USDA), se prohíbe al USDA, sus agencias, oficinas y empleados, e instituciones que participan o administran los programas del USDA, discriminar por motivos de raza, color, origen nacional, religión, género, identidad de género (incluidas las expresiones de género), orientación sexual, discapacidad, edad, estado civil, estado familiar/parental, ingresos derivados de un programa de asistencia pública, creencias políticas, o represalias por actividades previas sobre derechos civiles, en cualquier programa o actividad llevados a cabo o financiados por el USDA (no todas las bases se aplican a todos los programas). Las fechas límite para la presentación de remedios y denuncias varían según el programa o el incidente.

Las personas con discapacidades que requieran medios alternativos de comunicación para obtener información sobre el programa (por ej., Braille, letra grande, cinta de audio, lenguaje americano de señas, etc.) deberán comunicarse con la Agencia responsable o con el Centro TARGET del USDA al (202) 720-2600 (voz y TTY) o comunicarse con el USDA a través del Servicio Federal de Transmisiones al (800) 877-8339. Asimismo, se puede disponer de información del programa en otros idiomas además de inglés.

Para presentar una denuncia por discriminación en el programa, complete el Formulario de denuncias por discriminación en el programa del USDA, AD-3027, que se encuentra en línea en http://www.ascr.usda.gov/complaint_filing_cust.html, o en cualquier oficina del USDA, o escriba una carta dirigida al USDA e incluya en la carta toda la información solicitada en el formulario. Para solicitar una copia del formulario de denuncias, llame al (866) 632-9992. Envíe su formulario completado o su carta al USDA por los siguientes medios: (1) correo: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) correo electrónico: program.intake@usda.gov.

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