

**Amended BY-LAWS
Of**

NEGROS ORIENTAL I ELECTRIC COOPERATIVE INC.

ARTICLE I

MEMBERSHIP

SECTION 1. Requirements of membership. Any person, firm, association, corporation or body politic or subdivision thereof may become a member In the Negros Oriental Electric Cooperative, Inc., (hereinafter called the "Cooperative") by:

- (a) Filing a written application for membership therein
- (b) Agreeing to purchase from the Cooperative electric energy as hereinafter specified in Section 7, Article I
- (c) Agreeing to comply with the articles of incorporation and by-laws of the Cooperative, any rules and regulations adopted by the Board, and requirements of the National Electrification Administration and had no Cooperative record for obstructionism.
- (d) Paying the membership fee for hereinafter specified, provided however, that no person, firm, association, corporation or body politic or subdivision thereof shall become a member unless and until the membership has been accepted by the Board.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferrable, except as provided in these By-Laws.

No bona fide applicant for membership who is able and willing to satisfy and abide by all such terms and conditions shall be denied arbitrarily, capriciously or without good cause.

SECTION 2. Membership Certificates. Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form an shall contain such provisions as shall be determined by the Board. Such certificate shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these By-Laws, now until such membership fee has been fully paid. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefor upon such uniform terms and indemnity to the Cooperative, as the Board may prescribe.

SECTION 3. Joint Membership. A husband and wife may apply for a Joint Membership and, subject to their compliance with the requirements set forth in Section 1 of the Article, may be accepted for such membership. The term "member" as used in these By-Laws shall be deemed to include a husband and wife holding a joint membership, and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting.
- (b) The vote of either separately or both jointly shall constitute one joint vote.
- (c) A waiver of notice signed by either or both shall constitute a joint waiver.
- (d) Expulsion of either shall terminate the joint membership.
- (e) Either but not both may be elected or appointed as an officer or board member, provided that the qualifications for such office are met.

SECTION 4. Conversion of Membership.

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, By-Laws and rules and regulations adopted by the Board. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.
- (b) Upon the death of either spouse who is party to the joint membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in

such manner as shall indicate the changed membership status, provided however, that the estate of the deceased shall not be released from any debts due to the Cooperative.

- (c) Joint membership can only be changed upon proper petition to the Board.

SECTION 5. Rights of Members. Every bona fide member shall have the following rights:

- (a) To vote individually
- (b) To hold elective office when qualified as provided in this By-Laws
- (c) To be informed of cooperative affairs
- (d) To examine the Cooperative's books of accounts at any reasonable time during office hours upon written request and for legitimate purpose
- (e) To bring charges against any employee or officer of the cooperative
- (f) To receive one electric service connection which composed of Khwr meter and thirty (30) meters of service drop wire upon payment of membership fee
- (g) To exercise other rights and privileges as provided for under the Article 6 to 27 of Chapter II- Consumer Rights of Magna Carta for Residential Electricity Consumers and other governing laws.

SECTION 6. Obligations of Members

Every bona fide members shall have the following duties and obligations:

- a) To observe the terms of contract including, among other things, paying monthly electricity bills promptly and honestly;
- b) To allow the faithful and accurate recording of consumption to be reflected in the appropriate device;
- c) To allow the utility's employees/representatives entry/access to his premises for the purpose of inspection, construction, installation, reading, testing, repairing, maintaining, cutting of trees and vegetation in compliance with RA 11361, removing, replacing or otherwise disposing of its apparatus and property and/or removing the Cooperative's entire property in the event of the termination of the electricity service contract; and for disconnection of service for non-payment of bills or violation of contract;
- d) To grant to the Cooperative free of charge, as its request the necessary rights and easements to construct, operate, replace and perpetually maintain, on the property owned or leased by the member and in or upon all roads, streets or and highways abutting said property its line or lines for the transmission or distribution of electric energy and will execute and deliver to the Cooperative any conveyance, grant or instrument which the Cooperative shall deem necessary or convenient for the said purpose or any to them. All service line supplying the member with electric energy and all switches, meters and appliance and equipment constructed and installed by the Cooperative on said property, except so much thereof, if any, shall be paid by the member, shall at all times be the sole property of the Cooperative and the Cooperative shall have an access to said property to repair, service, and upon discontinuance of service for any reason to remove the same. The right-of-way herein, however, shall subsist during the continuing operation of the cooperative and its successors and assigns;
- e) To take proper care of metering or other equipment that the cooperative has installed in his premises;
- f) To inform the cooperative and/or proper authorities of any theft or pilferage of electricity or any damage caused by any person to the electric meter and equipment appurtenant thereto;
- g) To cooperate and support the programs on the wise and efficient use of electricity.
- h) To attend and participate to events/activities such as district assemblies: district elections and Annual General Membership Assembly (AGMA)

- i) To exercise other duties and obligations as provided for under the Article 28-35 in Chapter III -Consumer Obligations of Magna Carta for Residential Electricity Consumers and other governing laws.

SECTION 7. Membership Fee. The membership fee shall be FIFTY PESOS (P50.00) or as the Board of Directors may prescribe subject to the approval of the General Assembly.

SECTION 8. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefor at rates which shall, from time to time, be fixed by the Board. It is expressly understood that the amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in Article II of these By-Laws. Each member shall pay all amounts owed by him to the Cooperative as and when the same become due and demandable.

SECTION 9. Termination of Membership.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribed. The Board, through a resolution, may, by the affirmative vote of not less than two thirds of all members of the Board, expel any member who fails to comply with any of the provisions of the articles of incorporation , by-laws, or rules and regulations adopted by the Board or shall be guilty of fraud, deceit, misrepresentation or machination disadvantageous to the Cooperative such as applying for house connection as his own a house owned by another, the tax declaration being considered for this purpose as the conclusive proof of ownership but only if such member shall have been given written notice by the Cooperative and such failure shall have continue for at least ten days after such notice was given that such failure makes him liable to expulsion.
- (b) The membership of a member who, for a period of six months after service is available to him, has not purchased energy from the Cooperative may be cancelled by resolution of the Board.
- (c) Upon withdrawal, death, 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 of his estate from any debt due to the Cooperative.
- (d) 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 debt or obligation of membership.
- (e) Any member whose membership has been terminated may be reinstated through a resolution of the Board and by the affirmative vote of no less than two-thirds of all members of the Board, upon such member's compliance with the provisions of the articles of incorporation, by-laws, and rules and regulations adopted by the Board. Any re-application by an expelled member shall be processed strictly in accordance with Section 1 Article 1.
- (f) Membership may also be terminated by reason of misuse, tampering, destruction or illegal use of NORECO I facilities and engaging in illegal connections under R.A. 7832 or "An Act Penalizing the Pilferage of Electricity and Theft of Electric Power Transmission Lines and Materials and those who will violate Sections 6,7 and 8 of R.A. 11631 or the "Anti-Obstruction of Power Lines Act" whether intentional or by inexcusable neglect ;
- (g) In case of death of a member, the membership shall be terminated and transferred to the immediate heir or successor upon compliance of the requirements and payment of membership fee;
- (h) Non payment of monthly electric bills within the period of time as provided in Article 32 of the Amended Magna Carta for Residential Electricity Consumer;
- (i) Upon lawful orders of government agencies /or courts;
- (j) When public safety so requires;
- (k) Upon request of the registered consumer based on justifiable reasons.

ARTICLE II

PROPERTY RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members. The members are the joint owners of the Cooperative, with their individual equity in its assets determined on the basis of their patronage. Upon dissolution, after

- (a) All debts and liabilities of the Cooperative have been paid, and
- (b) All capital furnished through patronage shall have been retired as provided in these by-laws,

the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten years next preceding the date of the filing the certificate of dissolution, or, if the Cooperative shall not have been in existence for such period, during the period of its existence.

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

ARTICLE III. MEETING OF MEMBERS

SECTION 1. Annual General Membership Assembly (AGMA) Meeting. The physical annual meeting of the members shall be held every last Saturday of April of each year to give enough time in the preparation of reports. In cases AGMA is to be conducted in different venues either synchronized or sequentially so as to generate greater participation among members, the venue/s of said meeting/s shall be posted in conspicuous/strategic places such as public markets, municipal or barangay halls or be delivered not less than twenty (20) days before the date of the meeting either personally or attached to electric bills, by mail, by the secretary, or upon failure to do the same, by the persons calling the meeting. In the event of a pandemic or any public health declaration, and other similar circumstances where mass gatherings are prohibited, the EC may opt to conduct virtual annual meeting subject to compliance to the pertinent provisions of NEA Memo. No. 2020-058. The Venue of said meeting shall be within the service area of the cooperative as selected by the Board and which shall be designated in the notice of meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. District Elections shall be held as provided in Article IV – Section 2 (Election and Tenure) of this By-Laws for the purpose of electing Board Members.

SECTION 2. Special Meeting. Special meetings of the members may be called by resolution of the Board, or upon a written request by any three Board members, by the president, or by one hundred members or five percent of all the members, whichever shall be the lesser, and it shall there upon be the duty of the secretary to cause notice of such meeting to be given as herein provided. Special meeting of the members may be held at any place within the area served by the Cooperative as designated by the Board and shall be specified in the notice of the special meeting.

SECTION 3. Notice of Member's Meetings. Written notice stating the purpose, place, day and hour of the meeting and, in case of special meeting or an annual meeting at which business requiring special notice to be transacted is called, shall be delivered not less than ten days nor more than twenty-five days before the date of the meeting either personally or by mail, by publications in two conspicuous public places, or by radio whichever is convenient or practical, by the secretary, upon failure to do the same, by the persons calling the meeting. If mailed, such notice, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. Where practical and necessary broadcast media may be availed of.

SECTION 4. Quorum. A quorum for the transaction of business at all meetings of the members of Cooperative shall be five percent (5%) of the total billed consumers or at least 500, whichever is lesser. 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. The minutes of each meeting shall contain a list of the members present in person. Failure to obtain a quorum at an annual membership meeting shall not prevent a Board Member duly elected at a district election from taking office.

SECTION 5. Order of Business. The order of business at the annual meeting of the members and, so far so possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting:

- (a) Report on the number of members present in person in order to determine the existence of a quorum.
- (b) Reading of the notice of the meeting and the proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting as the case may be
- (c) Reading of unapproved minutes of previous meeting of the members and the taking of necessary action thereon
- (d) Presentation and consideration of reports of officers, managers and committees.

SECTION 6. Voting. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a majority vote of the members present, except as otherwise provided by laws or other provisions of these By-Laws.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 1. General Powers. The business and affairs of the Cooperative shall be the responsibility of a Board of eleven (11) members, which should formulate and adopt policies and plans, promulgate rules and regulations for the management, operation and conduct of the business of the Cooperative, and exercise all of the powers of the Cooperative except such as are by-laws, the articles of incorporation of these By-Laws conferred upon or reserved to the members of the Cooperative, or reserved by the National Electrification Administration. Powers of the Board shall be exercised only by actions and determination taken in a regularly called and legally held meeting of the Board, and such actions and determination taken in a regularly called and legally held meeting of the Board, and such actions and determinations shall be recorded in the official minutes of the Board meetings. The authority of any individual member of the Board may be exercised only as a participant in a regularly called and legal meeting of the Board.

SECTION 2. Composition, Election and Tenure. The term of office of a regularly elected member of the Board of Directors shall be three (3) years or as may be determined by NEA but in no case shall a director serve for more than three (3) consecutive terms.

- (a) Regular Board Members in energized areas only shall be elected to office at district elections . However, each Board member shall represent one of the eleven (11) districts, and shall be elected in conformance with procedures as prescribes in the NEA guidelines.
- (b) Newly elected Board Members shall assume office on the date of the annual membership meeting provided, that he/she has taken the oath of office and unqualifiedly signed the Director's Pledge.
- (c) Only an energized district can be represented in the Board.

SECTION 3. Qualifications of a Director and Officer. Pursuant to Section 26-B of PD 269, as amended by the RA 10531, a candidate's integrity, experience, education, competence and probity shall be considered in determining whether he/ she shall be fit and proper to become a director or officer of NORECO I. For this purpose, the minimum qualifications of a director or officer of the EC shall be as follows:

- a) He or she is a Filipino citizen;
- b) He or she is a graduate of a four (4)-year course;
- c) He or she should at least be twenty-one (21) years old and not over seventy (70) years old on the date of election or appointment;
- d) He or she is of good moral character;
The good moral character may be established with the submission of a certificate issued of the following:

- i. Barangay where the candidate resides;
 - ii. National Bureau of Investigation;
 - iii. Philippine National Police; or
 - iv. Leader of the religious sect where the candidate is affiliated.
- e) He or she is a member of NORECO I in good standing for the last five (5) years immediately preceding the election or appointment and shall continue to be a member in good standing during his or her incumbency;
- i. A member of good standing shall mean that the member has no unsettled or outstanding obligations to the cooperative whether personal or through commercial or industrial connections of which he or she is the owner / co-owner three (3) months prior to the time of filing of certificate of candidacy. Provided, that for the incumbent member of the Board who will seek re-elections, unsettled or outstanding obligation includes power bills, cash advances, disallowances (including NEA audit findings) and materials and equipment issuances reckoned from the time of filing of certificate of candidacy. (Amendment of RA 10531 per DOE Circular 2014-09-0017, NEA Memo 2016-017 dated April 11, 2016)
 - ii. has not been apprehended for electric pilferage;
- A mere apprehension of electric pilferage by NORECO I even without conviction for such offense by any court, shall be a valid ground for disqualification. The word "apprehension" should be taken in the strict context as used in Republic Act No. 7832, otherwise known as "Anti Electricity and Electric Transmission Lines or Materials Pilferage Act of 1994," which means that a person is caught in flagrante delicto for violating the provision of the said Act;
- iii. has not been removed for cause as director or an employee from any
- In general, removal or termination of service from the cooperative is caused by a grave offense or violation(s) of policies, rules and regulations. A former director or employee with a record of termination/ removal for cause from public office or for just cause as defined in Article 282 of the Labor Code as amended, shall not be qualified to be elected or appointed as director of an EC.
- f) He or she is an actual resident and consumer in the district that he or she seeks to represent for at least two (2) years immediately preceding the election; and
- g) He or she has attended at least two (2) Annual General Membership Assemblies (AGMA) for the last five (5) years immediately preceding the election or appointment.

SECTION 4. Disqualifications of a Director and Officer. Pursuant to Section 26-B of PD 269, as amended by the Act, any person shall be ineligible to be elected or be appointed as member of the board of directors or officers of NORECO I if:

- a) Such person or his or her spouse holds any public office. For the purpose of disqualification, a person holding an elective position or an appointive position with a salary grade of sixteen (SG 16) or higher or its equivalent shall not be eligible to be elected as member of the Board of Directors or Officers of an electric cooperative;
- b) Such person or his or her spouse has been a candidate in the last preceding local or national elections;
- c) Such person has been convicted by final judgment of a crime involving moral turpitude;
- d) Such person has been terminated from public office/ government employment or private employment for just cause as defined in Article 282 of the Labor Code.
For this purpose, termination from public office shall mean removal;
- e) Such person is related within the fourth civil degree of consanguinity or affinity to any member of the NORECO I Board of Directors, Department Manager, NEA-appointed

Project Supervisor (PS) or Acting General Manager (AGM) and its equivalent or higher position; and

- f) Such person is employed by or has financial interest in a competing enterprise or a business selling electric energy or electrical hardware to the cooperative or doing business with NORECO I including, but not limited to, the use or rental of poles.

"Doing Business" shall refer to the transactions related to the core or main line of business of NORECO I which is conveyance of electricity through its distribution facilities.

- g) Incumbent GM and employees of electric cooperatives are not allowed to run as member of the board of another cooperative;
- h) The disqualification of one of the spouses shall mean the disqualification of the other.

SECTION 5. Continuing Qualification Requirement. To ensure that the management and operations of NORECO I are carried out with due regard to its economic viability.

A cooperative director or officer, in order to remain as such, must continue to possess all the qualifications and none of the disqualifications throughout his/her term or tenure of office. *To this end, no NORECO I Director shall be allowed to stay in office in a hold-over capacity if he/she fails to meet all the qualifications or is deemed disqualified under the two preceding sections. (DOE Department Circular 2014-01-0002 Amending certain provisions of RA 10531)*

The foregoing continuing qualifications shall not apply to the following:

- a) General Manager; and
- b) Project Supervisor and/or Independent Director.

SECTION 6. Director's Pledge

Directors assuming into office on the date of the Annual Meeting shall be required to sign the Director's Pledge and the same shall be submitted to the general membership in the said meeting. Such Pledge shall be strictly adhered to during his incumbency.

SECTION 7. Districts

(a) Definition. A district is a segment or a portion of the territory served or to be served by the Cooperative, which shall be represented by one member of the Board of Directors.

(b) Composition. A district may be composed of a municipality or a city as may be determined by the Board in accordance with the provisions hereof and duly approved by the National Electrification Administration.

(c) Number. The Cooperative shall have eleven (11) districts as follows:

District No.	Municipality/City	District No.	Municipality/City
1. _____	Ayungon	7. _____	Bais City
2. _____	Bindoy	8. _____	La Libertad
3. _____	Jimalalud	9. _____	Guihulngan
4. _____	Mabinay	10. _____	Vallerhermoso
5. _____	Manjuyod	11. _____	Canla-on City
6. _____	Tayasan		

As additional barrios, municipalities or cities or portions thereof are integrated in the Cooperative, the aforementioned districts may be increased provided that the total number does not exceed 15.

SECTION 8. Redistricting. In case the integration of additional barrios, municipalities or cities will require a redistricting of the territory in order that all will be duly and equitably represented in the Board, then the Board shall, subject to the approval of the National Electrification Administration, undertake a redistricting thereof in accordance with the following criteria:

(a) Each district shall be composed of barrios or municipalities or cities or portions thereof that are contiguous to each other geographically and interconnected by roads and/or other means of transportation facilities;

(b) The number of members or potential members in each district shall, as much as possible, be equal.

(c) Each district shall, to extent possible, have a common dialect.

SECTION 9. Nominations. In not less than thirty days or more than sixty days before each district meeting, it shall be the duty of the Board to appoint a committee on nominations consisting of not less than three members residing in each voting district. Upon acceptance of their appointment, members of the nomination committee shall be disqualified to run for director, even if they resign from the committee. The names of the members of the nomination committee shall be posted in three conspicuous places in voting district. No member of the Board may serve on such committee. The committee shall nominate qualified members residing in such district for the office of Board Member and they shall report such nominations to the Board is not less than twenty days before the district membership elections. Such nominations by the committee shall be posted at the principal office of the Cooperative at least fifteen days before the district meeting. Other nominations may be made by the petition of fifteen or more members of the district prior to, but not later than a day before the district meeting and such nominations shall be posted at the same place where the list of nominations by the committee is posted. There shall be no additional nominations from the floor during the district membership meeting. The candidate receiving the highest number of votes shall be declared elected.

SECTION 10. District Meetings. In not less than thirty days nor more than sixty days before any annual meeting, the Board shall call a separate meeting of the members of each district in which the term of the incumbent Board Member is due to expire for the purpose of electing one Board Member to represent the members located within each of such districts.

The Board is not less than twenty days prior to the district election, shall appoint an Election Committee composed of three to five members from among the members residing in each voting district. No incumbent member of the Board of Director or candidate for Board member in the current elections or a relative of a candidate within the third degree by consanguinity or affinity shall serve as members of the Election Committee.

It shall be the responsibility of the Election Committee to conduct, administer and supervise the district elections. Only the Election Committee can decide on election matter in case of protest, conflicts and queries. All decisions by the Committee, which shall be made in bane, shall be subject to review by the National Electrification Administration.

Each Board Member shall be elected by ballot at the districts meeting held in the district he will represent, by and from the members of the district entitled to vote to serve until the annual meeting in this third year in office or until his successors shall have been elected and shall have qualified. If an election of Board Members shall not be held on the day designated herein for the district meeting or at any adjournment thereof, a special meeting shall be held within a reasonable time thereafter but not later than as provided for under these By-Laws. Failure to hold district meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative. Any error or omission in the giving of any notice or the holding of any meeting as herein provided shall not affect in any manner whatsoever the validity of the election of any Board Member.

The President, or on his incapacity or absence, any member of the Board whose position is not the subject of election may act as the Chairman and preside over any district meeting. A secretary shall be provided by the Cooperative and shall record the proceedings of said meeting and together within the Chairman shall certify said proceedings to the Board. The certification of the Chairman and Secretary of the election of the Board Member by any district election shall be taken by the Cooperative as verification of the election of such Board Member at such district election.

SECTION 11. Notice of District Meeting. Notice of district meetings stating the purpose, place, day and hour of the meeting shall be delivered not less than seven days the date of each meeting. Broadcast media may be availed of it practical and necessary.

SECTION 12. Quorum. Five percent of the members or one hundred members, whichever is lesser, in the district shall constitute a quorum for the transaction of business at the district meeting. If less than a quorum is present at any district meeting a majority of those present in person may adjourn the meeting from time to time without further notice.

SECTION 12. Voting. Each qualified member in attendance at the district meeting shall be entitled to one vote. No member shall be permitted to vote by proxy or by mail at any district election.

SECTION 13. Complaints against Board Members. Any bonafide member of the Cooperative may bring an action against any member of the Board of Directors by filling a sworn statement with the Board Secretary.

The Board shall refer the written complaint to the Arbitration Committee within fifteen days from receipt thereof, after a meeting is called for that purpose. The Arbitration Committee shall decide the case within thirty days from the time it will convene.

The Arbitration Committee shall be composed of three members __ one designated member of the Board of Directors, one representative of NEA and one bonafide member of the Cooperative who is of good moral character and who is acceptable to all parties concerned. The committee shall act as a fact - finding body and if it finds the action meritorious, it may either warn, suspend or remove the Director concerned; otherwise, it shall dismiss the case.

SECTION 14. Vacancy. The remaining members of the Board of Directors, by a majority vote shall fill any vacancy occurring in the Board due to death, incapacity, disability, removal, resignation, transfer of his place from his voting district, or other causes from among nominees of the district where the vacancy occurs, who shall serve for the unexpired portion of the term.

SECTION 15. Compensation. Board Members shall not receive any salary for their services as such. Members carrying out business authorized by the Board may be reimbursed for actual necessary expenses incurred, subject to existing policies and regulations of NEA. No Board Members shall receive compensation for serving the Cooperative in any other capacity.

ARTICLE V

BOARD GOVERNANCE

The Board of Directors is primarily responsible for the governance of the cooperative. The business and affairs of the Cooperative shall likewise be the responsibility of the Board of Directors which shall formulate and adopt policies and plans, promulgate rules and regulations for the management, operation and conduct of the business of the Cooperative, and exercise all of the powers of the Cooperative except those that are by law, the Articles of Incorporation, or the By-Laws conferred upon or reserved to the members of the Cooperative, or reserved by the National Electrification Administration (NEA).

SECTION. 1. Responsibility of the Board - Having been vested by law with authority to exercise all powers of the electric cooperative, conduct all its business, and to hold all its properties, except those that are by law, the Articles of Incorporation, or the By-Laws has been conferred upon or reserved to the EC MCOs, or by the NEA," the Governing Board is primarily responsible for the governance of the cooperative. Consequently, it is the Board and not Management that is primarily accountable to the MCOs, other stakeholders, NEA and other regulatory agencies for the operations and performance of the cooperative.

SECTION. 2. Responsibility for the EC Performance. - Although the day-to-day management of the affairs of the cooperative is with Management, the Board is, however, responsible for providing policy directions, monitoring and overseeing Management actions, as provided in its By-Laws or

Articles of Incorporation, NEA policies, rules and regulations and existing laws rules and regulations. Specifically, the functions and responsibilities of the board are the following:

- (a) Provide governance to NORECO I subject to existing laws, and the programs, policies and objectives set by the NEA and other regulatory agencies;
- (b) Establish the NORECO I vision and mission, strategic objectives, policies and procedures, as well as defining EC values through:
 - 1. Charter Statements
 - 2. Strategy Maps
 - 3. Other control mechanism mandated by best business practices
- (c) Initiate and promulgate policies for the operation of the cooperative to foster its long-term success, ensure its continued viability and strength, and sustained rural development through electrification of its franchise coverage areas;
- (d) Determine the organizational structure of NORECO I, defining the duties and responsibilities of its Officers and employees and adopting a compensation and benefit scheme in accordance with NEA policies, rules and regulations;
- (e) Ensure that personnel selection and promotion shall be on the basis of merit and fitness and that all personnel action shall be in pursuit of the applicable laws, rules and regulations;
- (f) Provide sound written policies and strategic guidelines on the cooperative cash operating budget and capital expenditures;
- (g) Adopt an annual NORECO I Performance Scorecard;
- (h) Establish a Performance Evaluation System (PES) for the officers and employees of the cooperative;
- (i) Establish institutional programs and strategies to ensure the empowerment, protection of the rights and interest of MCOs and other Stakeholders;
- (j) Call, schedule and provide appropriation for, by an appropriate Board Resolution, the conduct of a regular and special district election in accordance with the By-Laws and NEA rules and regulations;
- (k) Make adequate plans and preparations for the annual meetings in accordance with the By-Laws; and
- (l) Report annually to the General Assembly on the financial, institutional and technical performance of NORECO I operations.

SECTION 3. Functions of the Board. - In addition to those specified in its By-Laws or Articles of Incorporation, in accordance to NEA policies, rules and regulations, the Board shall perform the following functions:

- (a) Conduct regular Board Meeting once every month and if needed, one (1) special Board Meeting, to discharge its responsibilities. The independent views of a member expressed during such meetings should be given due consideration, and that all such meetings shall be properly documented or minuted;
- (b) Initiate and promulgate policies, adopt strategies, including risk management policies and programs, in order to ensure that the EC complies with the standards set under NEAs Overall EC Performance Criteria;
- (c) Monitor and evaluate regularly the implementation of Board approved NORECO I strategies and policies and operating budgets, as well as Management's yearly over-all performance scorecard to ensure optimum results;
- (d) Adopt a competitive selection and promotion process, a professional development program, as well as a succession plan to ensure that the officers and employees of NORECO I have the necessary motivation, integrity, competence and professionalism;

- (e) Monitor potential conflicts of interest of Directors and Management, including misuse of cooperative assets;
- (f) Implement a system of internal checks and balances, which may be applied in the first instance to the Board; and ensure that such systems are reviewed and updated on a regular basis;
- (g) Ensure the integrity of the cooperative accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- (h) Identify and monitor, and provide appropriate technology and systems for the identification and monitoring of key risks and performance areas; and
- (i) Adopt, implement and oversee the process of disclosure and communications; Constitute an Audit Committee and such other specialized committees as may be necessary, or required by applicable regulations, to assist the Board in discharging its functions and conduct and maintain the affairs of NORECO I within the scope of its authority, as prescribed in its By-Laws or Articles of Incorporation and NEA policies, rules and regulation.

SECTION 4. Composition of the Governing Board - The composition of the Board shall be as provided for in the EC By-Laws, NEA policies, rules and regulations and relevant laws.

SECTION 5. Multiple Board Seats. - No Cooperative Director shall hold Board seats in other businesses of the EC, such as transmission, generation, supply and foundation except in EC associations or allied organizations.

SECTION 6. Appointment to vacant position of Director. – If the vacancy is less than two (2) years, the approval of appointive director done by the Board, by a majority vote, through a Resolution from among the nominees submitted by the duly elected District Officers of the MCO Organization, subject to confirmation of NEA.

SECTION 7. Fit and Proper - All members of the Board and Appointive Directors shall be qualified by the “Fit and Proper Rule” provided under RA 10531, its Implementing Rules and Regulations and the NEA policies, rules and regulations.

ARTICLE VI

BOARD COMMITTEES

SECTION 1. Board Committees. - The EC Board shall constitute appropriate Board Committees to assist them in performing their duties and responsibilities and to efficiently manage their time and ensure the proper understanding and resolution of all issues affecting the Cooperative. The committees shall report to the entire Board as a collegial body and the minutes of their meetings shall be circulated to all members of the Board.

The Board Committees, in accordance with the authority granted by the Board, shall act by a vote of majority or 50% plus one (1) of its members on matters within its authority and on such specific matters as may from time to time be delegated by the Board.

The Board shall constitute the following committees:

- 1) Governance Committee. - The Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The Committee shall be composed of at least five (5) members of the Board, and chaired by the President of the Board. The Committee shall be responsible for the following:

- (a) Oversee the periodic performance evaluation of the Board and its committees and Management; and also conducting an annual self-evaluation of their performance;
 - (b) Decide whether or not a Director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, and/or, attendance, preparedness and participation);
 - (c) Recommend to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the executive Officers, and their remuneration commensurate with corporate and individual performance;
 - (d) Recommend the manner by which the Board's performance may be evaluated and proposing an objective performance criteria to be approved by the Board;
 - (e) Recommend the approval of NORECO I policies and guidelines on Institutional and Governance Standards for the efficient operation of cooperative;
 - (f) Recommend policies, programs and strategies on institutional for empowerment, protection of the rights and interest of the MCOs and service satisfaction;
 - (g) Recommend policies, programs and strategies for sustained rural development through electrification and participation of the MCOs in NORECO I activities within the barangay;
 - (h) Recommend filling-up of vacancies in the Board or Officers of the Board in accordance with the By-Laws and NEA rules and regulations;
 - (i) Recommend amendment or repeal of By-Laws or Articles of Incorporation;
 - (j) Review EC vision and mission, strategic objectives, policies and procedures, as well as:
 - Charter Statements
 - Strategy Maps
 - Other control mechanism mandated by best business practices
 - (k) Recommend the adoption of an annual EC Performance Scorecard
- 2) Risk Management Committee. - The Risk Management Committee shall consist of at least five (5) members, with at least one member having a background in finance and investments. The Risk Management Committee shall have the following functions:
- (a) Perform oversight risk management functions specifically in the areas of managing the businesses of the cooperative;
 - (b) Develop the Risk Management Policy of NORECO I, ensure compliance with the same and that the risk management process are observe in the operations of the cooperative, especially at the Board and Management level; and

- (c) Provide quarterly reporting and updating the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals
- 3) Audit Committee. - The Audit Committee shall consist of at least five (5) Directors, whose Chairman should preferably have audit, accounting or finance background. The Committee shall be responsible for the following:
- (a) Oversee, monitor and evaluate the adequacy and effectiveness of NORECO I's internal control system;
 - (b) Review and approving audit scope and frequency, the annual internal audit plan and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory, NEA requirements and others;
 - (c) Receive and review reports of internal and external auditors and regulatory agencies, and ensure that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
 - (d) Ensure that internal auditors and NEA auditors have free and full access to all NORECO I records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results; and
 - (e) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the NORECO I through a procedures and policies handbook that will be used by the entire organization.

SECTION 2. Annual Performance Evaluation of the Board. - A systematic evaluation process of the Board consistent with NEA rules and regulations shall be developed as a necessary tool in enhancing its professionalism and as a useful incentive for Board Members to devote sufficient time and effort to their duties. The evaluation should also be instrumental in developing effective and appropriate training programs for new and existing members of the Board.

ARTICLE VII

DUTIES AND OBLIGATIONS OF BOARD OF DIRECTORS AND BOARD OFFICERS

SECTION 1. Fiduciary duty to the MCOs and the Cooperative - Directors and Officers are fiduciaries of the MCOs in that: (a) they have the legal obligation and duty to always act in the best interest of the MCOs and the cooperative, with utmost good faith in all dealings with the properties, interests and monies of the cooperative and (b) they are constituted as trustees in relation to the properties, interests and monies of the cooperative. The fiduciaries obligations includes the following:

- a) Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of the cooperative, using the utmost diligence of a very cautious person with due regard to all the circumstances;
- b) Apply sound business principles to ensure the financial soundness of the cooperatives; and
- c) Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.

Every Director or Officer, by the act of accepting such position in the cooperative, affirms and agrees:

- 1) to have a working knowledge of the statutory and regulatory requirements affecting the cooperative he is to serve, including the contents of its Charter, or Articles of Incorporation

and By-laws, the requirements of the NEA, and where applicable, the requirements of other Regulatory Agencies; and

- 2) to always keep himself informed of the electric power industry developments and business trends in order to safeguard the cooperative interests and preserve its competitiveness.

SECTION 2. Respect for and Obedience to the EC By-Laws, rules and regulations of the NEA and other regulatory agencies. – As Directors or Officers they shall respect and obey the NORECO I By-Laws, rules and regulations of the NEA, and other regulatory agencies and comply, and cause the cooperative to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the cooperative in which they serve, and to act within the bounds of their Charter, Articles of Incorporation and By-Laws and other existing laws, rules and regulations.

SECTION 3. Fiduciary Duty of Loyalty. - The Directors and Officers has the duty to always act in the best interest of the EC, with utmost good faith in all its dealings with the property and monies of the cooperative, includes the obligation to:

- (a) Act with utmost and undivided loyalty to NORECO I;
- (b) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and
- (c) Avoid (1) taking for themselves opportunities related to NORECO I's business; (2) using NORECO I's property, information or position for personal gain; or (3) competing with the cooperative business opportunities.

SECTION 4. Avoid Conflict of Interest. - Directors and Officers shall at all times avoid any actual or potential conflict of interest with NORECO I. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest. Any question about a Director's or Officer's actual or potential conflict of interest with cooperative shall be brought promptly to the attention of the Board, who will review the question and determine an appropriate course of action.

SECTION 5. Prohibitions. – As Directors and Officers of NORECO I they shall always act in the interest of the MCOs and cooperative. Thus, they:

- (a) Should not seek special favors, privileges, benefits or advantages of any sort for themselves or for other persons having only their personal motives to promote;
- (b) Should not directly or indirectly involve themselves in functions that inherently belong to Management such as, for example, material purchases and procurement;
- (c) Should not intrude in the day-to-day management and operations of the coop;
- (d) Should not hold regular office hours in the coop; and
- (e) Should not undertake travels unless officially authorized by the Board and in accordance with existing rules and regulations of NEA.

SECTION 6. Accountability of the Board. - All members of the Board of Directors, being an integral body, shall be held liable, jointly and severally, for all official acts made for and in behalf of the electric cooperative.

SECTION 7. Compensation. – A Director shall not receive any salary for his services as such. No Directors shall receive compensation for serving the cooperative in any other capacity.

SECTION 8. Per Diems, Allowances and Incentives. – The per diems, allowances and incentives of the Board of Directors shall be determined by PD 269, as amended by RA 10531 and existing rules and regulations of the NEA.

SECTION 9. Restitution. - Upon the determination by the NEA based on its Audit Report and pursuant to a Notice of Disallowance which has become final and executory, a director or officer with aggregate per diems, allowances and incentives received in a particular year are in excess of the limits provided by existing law or rules and regulations of the NEA, the Director or Officer concerned shall immediately return the same to the EC. Failure by a Director or Officer to make the restitution within thirty (30) days after a written demand has been served shall be a violation of the “fit and proper rule” under Republic Act 10531.

SECTION 10. Duty of Confidentiality. - Pursuant to their duties of diligence and loyalty, a member of the Board or an Officer shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either: (1) to further their private interests, or give undue advantage to anyone; or (2) which may prejudice the public interest.

ARTICLE VIII

CORPORATE SOCIAL RESPONSIBILITY

SECTION 1. Responsibility of Directors to MCOs. - Every Director has the responsibility to NORECO I and the MCOs particularly in the district represented. They shall develop policies to ensure fair and efficient delivery of electric service to the MCOs including immediate response to their service complaints and other request.

SECTION 2. Formal Recognition of the MCOs. - Every Director has the responsibility to empower the MCOs. They shall develop policies and programs, initiatives and strategies to ensure that all MCOs in their respective district are properly organized and informed of all activities of NORECO I.

SECTION 3. Involvement of MCOs in EC Affairs. - Every Director has the responsibility to adopt policies on participation of MCOs in the improvement of NORECO I operations in the district.

SECTION 4. Social Responsibility to MCOs. - The NORECO I Directors have the social responsibility towards the MCOs. As such, shall undertake sustainable programs and projects for the development of the community.

ARTICLE IX

MEETING OF BOARD

SECTION 1. Regular Meeting. A regular meeting of the Board shall also be held once a month with notice at the main office or in any place within the coverage area of the cooperative at such time as designated by the Board. Schedule of Board meeting shall be posted in the Office of the Cooperative.

SECTION 2. Special Meeting. Special meeting of the Board may be called by the President or by any three Board Members, and it shall thereupon be the duty of the Secretary to cause a notice of such meeting to be given as hereafter provided. The President or Board Members calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 3. Notice of Special Board Meeting. Written notice of the date, time and place and purpose of any special meeting of the Board shall be delivered to each Board Member either personally or by mail, by or at the discretion of the Secretary, or upon a default by the Secretary, by the President or the Board Member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the Philippine mail addressed to the Board Member 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. A majority of the Board in office shall constitute a quorum provided that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Board Member of the time and place of such adjourned meeting. The act of a majority of the Board Member present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these By-Laws.

ARTICLE X

OFFICERS

SECTION 1. Number. The Officers of the Cooperative shall be a President, Vice-President, Board Secretary, Board Treasurer, and such other officers as may be determined by the Board from time to time. The office 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 and from the Board at the meeting of the Board held immediately after the Annual General Membership

Assembly (AGMA) meeting of the Members. If the election of offices shall not be at such meetings, such election shall be held as soon thereafter as convenient. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board of the unexpired portion of the term.

SECTION 3. Removal of Officers and Agents by the Board. Any officer elected or appointed by the Board may be removed by the Board whenever in its judgement the best interest of the Cooperative will be served thereby.

SECTION 4. Officers of the EC Board. The officers of a cooperative shall consist of a President, Vice-President, Secretary and Treasurer, who shall be elected annually by and from the Board. When a person holding such office ceases to be a director, he shall ipso facto cease to hold such office. The offices of Secretary and of Treasurer may be held concurrently by one person. The Board may also elect or appoint such other officers, agents or employees as it deems necessary or advisable and shall prescribe their powers and duties, subject to NEA policies, rules and regulation.

The manner of election of officers and tenure shall be governed by the EC By-Laws and NEA policies, rules and regulations

1. Board President shall:

- a) be the principal officer of the Cooperative and, unless otherwise determined by the members or the Board, shall preside at all meetings of the Board;
- b) call meetings to enable the Board to perform its duties and responsibilities;
- c) approve meeting agenda in consultation with the GM and Board Secretary;
- d) sign, with the Secretary, certificates of membership which have been authorized by the Board to be issued;
- e) sign any deed, mortgage, deed of trust, note, bond, contract or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by the By-Laws to some other officers and agents of the Cooperative, or required by the law to be otherwise signed or executed;
- f) exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;
- g) assist in ensuring compliance with the EC guidelines on EC governance; and
- h) perform all duties incident to the office of the Board President and such other duties as may be prescribed by the Board from time to time.

The above-mentioned responsibilities shall not be taken as a comprehensive list of all the duties and responsibilities of a President.

2. 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. The Vice-President shall also perform such other duties as from time to time may be assigned to him by the Board.

3. Board Secretary. The Secretary shall be responsible for:

- a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose and kept in a secured file in the office of the Cooperative;
- b) ensuring that all notices are duly given in accordance with the By-Laws or as required by law;

- c) ensuring protection of the EC corporate books and records and the seal of the Cooperative and affix the same to all certificates of membership prior to the issue thereof, and ensure that the execution of all documents on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of the By-Laws;
- d) keeping a registry of names, post office addresses/email addresses and contact information of all MCOs;
- e) signing, with the President, certificates of membership, the issue of which have been authorized by the Board;
- f) keeping on file at all times a complete copy of the Articles of Incorporation and By-Laws of the Cooperative containing all amendments thereto (which copy shall always be opened to the inspection of any MCO) and at the expense of the Cooperative, furnishing a copy of the By-Laws and of all amendments thereto to any MCO upon request; and
- g) performing all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board.

4. Board Treasurer. The Treasurer shall be responsible for:

- a) assuring proper custody of all funds and securities of the Cooperative;
- b) assuring the proper 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 selected by the Board in accordance with the requirements of the NEA; and
- c) performing all the duties incident to the office of the Treasurer and such other duties as from time to time may be assigned by the Board.

Adopted by the NORECO I Board of Directors per NEA Memo No. 2020-01 Re: Cod of Good Governance of Electric Cooperatives dated January 27, 2020

ARTICLE XI MANAGEMENT

SECTION 1. Role of Management. - The Management of NORECO I shall perform decision-making functions for the day-to-day affairs of the EC. It shall determine the cooperative activities by putting the targets set by the Board in concrete terms and by implementing basic strategies for achieving those targets. Management is responsible to the Board for implementing the Road Map for NORECO I success through the following mechanisms in its organization as set by the Board: organizational structures that work effectively and efficiently in attaining the goals of NORECO I; useful planning, control, and risk management systems that assess risks on an integrated cross-functional approaching information systems that are defined and aligned with an information technology strategy and the business goals of the cooperative; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in NORECO I.

SECTION 2. Management Primarily Accountable to the Board. – Management is primarily accountable to the Board for the operations of NORECO I. As part of its accountability, Management shall provide all members of the Board with a balanced and understandable account of the Cooperative's performance, position and prospects on a monthly basis. This responsibility shall include reports from regulatory agencies of the government.

SECTION 3. The General Manager. – is the highest-ranking management official. The management of the Cooperative is vested in the GM duly appointed by the Board and confirmed by NEA and responsible to the Board for performance of the duties as set forth in the position description adopted by the Board, and in conformity with guidelines established by the NEA. The GM shall be subject to the disciplinary powers

of the Board. Dismissal/imposition of any administrative penalties and/or preventive action against the General Manager shall require approval from the NEA. The GM shall perform the following functions:

- 3.1 Keep the Board fully informed through written monthly, special, and verbal reports as needed;
- 3.2. To advise and make recommendations to the Board on objectives, plans, policies and programs and actions that are needed for the development of the program;
- 3.3. Carries out the Board's policies, plans and programs and keep the Board informed of problems, progress and end results in accomplishing this;
- 3.4. Hires, trains and when necessary, fires employees;
- 3.5. Delegates sufficient authority to principal subordinates so that they shall perform their functions effectively;
- 3.6. Recommends to the Board appropriate action on staffing pattern, job description, wage and salary administration, working condition, safety and job training programs;
- 3.7. Prepares operating budgets, long-range financial forecasts, and annual work plans for the Board's consideration;
- 3.8 Comply with all reportorial requirements prescribed by RA 10531 and NEA rules and regulations;
- 3.9. Manages the affairs of the Cooperative by achieving reasonable economics, employing competent supervision, and exercising sound judgment;
- 3.10. Provides adequate and dependable electric service;
- 3.11. Maintains good member relations and supervises member education, information, power use programs and builds goodwill for the cooperative in the community; and
- 3.12. Encouraged the use of the cooperativism for other development activities in the service area, by making the electric cooperative a good example of a successful member-owned, non-profit enterprises.
- 3.13 He/she shall be an Ex-Officio member of the board without voting power

SECTION 4. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charge with responsibility for the custody of any of its funds or property shall be bonded in such sum as the Board shall determine. The Board, in its discretion, may also require any other officer, agent or employee of the Cooperative to be bonded in such amount as it shall determine.

SECTION 5. 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 XII NON-PROFIT OPERATION

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

SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy.

- (a) In the furnishing of electric energy, the Cooperative's operations shall be conducted that members and non-members alike will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate

in a non-profit basis, the Cooperative is obliged to account on a patronage basis to its patron, members and non-members alike, for all amount received and receivable from the furnishing electric energy in excess of operating cost and expenses properly chargeable against the furnishing of electric energy. All such amount in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members and non-members alike as capital. The Cooperative is obliged to pay by credit to a capital account for each patron all such amounts in excess of operating costs and expenses.

- (b) The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.
- (c) All other amounts received by the Cooperative from its operations in excess of cost and expenses shall, insofar as permitted by law, be (1) used to offset any losses incurred during the current or any prior fiscal year, and (2) to the extent not needed for that purpose; allocated to its patron on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.
- (d) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall be paid, outstanding capital credited to patrons' accounts shall be retired without priority on a pro-rata basis before any payment is made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired.
- (e) Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assigner and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise.
- (f) Notwithstanding any other provision of these By-Laws, the Board, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron to retire prior to the time such capital would otherwise be retired under the provisions of these By-laws, to retire capital credited to any such patron immediately upon such term and conditions as the Board, acting under policies of general application; and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative shall not be impaired thereby.
- (g) The patron of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and By-Laws shall constitute and be a contract between the Cooperative and each patron and both the Cooperative and the patron

are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the By-Laws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's Office.

ARTICLEXIII

DISPOSITION OF PROPERTY

SECTION 1. The Cooperative may not, otherwise sell, lease or except by consolidation or merger, otherwise dispose of its property (other than merchandise and property which shall represent not in excess of ten per cent of the value of the Cooperative's total assets, or which in the judgement of the Board are not necessary or useful in operating the Cooperative) unless such sale, lease or except in consolidation or merger, other disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than two thirds of all the members of the Cooperative and consented to by the NEA and any other lending source which holds a lien on any of the Cooperative's properties provided however, that notwithstanding anything herein contained, the Board of the Cooperative, without authorization by the members, thereof, shall have full power and authority to authorize the executions delivery of a mortgage or a deed of trust, or the pledging or encumbering otherwise, 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 therefrom, all upon such terms and condition as the Board shall determine, to secure any borrowing by or indebtedness of the Cooperative to the Government of the Philippines or any instrumentality or agency thereof or any lending institution approved by the NEA.

ARTICLE XIV

SEAL

SECTION 1. The Corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative, date of incorporation, and the word "Seal" engraved thereon.

ARTICLE XV

FINANCIAL TRANSACTIONS

SECTION 1. Contracts. Except as otherwise provided in these By-Laws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances, except as limited or authorized in the loan agreement with the National Electrification Administration.

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, agents, employee or employees of the Cooperative and in accordance with NEA rules and regulations.

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 on the Board may select, subject to the approval of NEA.

SECTION 4. Change of Rates. Changes in the rates charged by the Cooperative for electric energy become effective only after approval by NEA, except that temporary charges based upon

increase in the direct cost of fuel for generating power may be added to the consumer's bills in order to avoid deficit operation of the Cooperative.

SECTION 5. Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of each year and shall end on the last day of the same year.

ARTICLE XVI

MISCELLANEOUS

SECTION 1. Membership in the Other Organizations. The Cooperative may, upon the authorization of the Board and approval of the National Electrification Administration, purchase stock in or become a member of any other Cooperative or corporation organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification.

SECTION 2. Audit. The Board shall, after the close of each fiscal year, cause to be made a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following meeting.

SECTION 3. Area Coverage. The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (1) desire such service and (2) meet all reasonable requirements established by the Cooperative as a condition of such service, provided that the financial viability of the Cooperative will not be impaired.

SECTION 4. Nepotism. No relative of the General Manager nor any member of the Board up to the third degree of relationship, either by consanguinity or affinity, shall be employed by the Cooperative or receive compensation for service to the Cooperative.

ARTICLE XVII

AMENDMENTS

SECTION 1. There By-Laws may be altered, amended or repealed only by affirmative vote of not less than a majority of the members of the Cooperative present at a regular or special meeting and, provided further that the notice of such meeting shall have contained a copy of the proposed alteration, amendments or repeal.

If any member or members desire to offer an amendment of any said articles or sections, such member or members shall deposit a copy of said proposed amendment with the Secretary of the Board at least twenty days before the meeting in which such resolution is to be offered and the said Secretary shall cause a copy of said proposed resolution to be included in the notice of the meeting. All amendments to these By-Laws shall be subject to the NEA Approval.

I, EMIJANE ACERO, Secretary of NORECO I, do hereby certify that the above is a true and correct copy of the By-Laws adopted in the meeting of the Board of Directors held on July 22, 2022 at NORECO Headquarters, Bindoy, Negros Oriental at which meeting a quorum was present. These By-Laws was ratified by the members during the Annual Meeting held last July 30, 2022.

Attested:


ALFONSO W. TADIFA JR.
President


EMIJANE ACERO
Secretary