

BYLAWS
OF
ALBEMARLE ELECTRIC MEMBERSHIP CORPORATION



Revised: June 22, 2015

These Bylaws of Albemarle Electric Membership Corporation are made available to you as a Member-consumer so that you may have a better understanding of your Cooperative. Please acquaint yourself with these Bylaws and refer to them from time to time when you have questions about the operations of the Cooperative. Should you have comments or questions, please contact our office in Hertford.

Your Cooperative's Bylaws are subject to revision from time to time by your elected Board of Directors, and revisions shall be posted on the Cooperative's website. If revisions are made, you will be informed in our newsletter, "Albemarle Sounds," which is included in each Member's subscription to Carolina Country Magazine, or by a special mailing or "stuffer" along with your monthly bill. Printed copies of these Bylaws are available from the Cooperative upon request.

TABLE OF CONTENTS

ARTICLE I	MEMBERSHIP	1
SECTION 1.01	ELIGIBILITY	1
SECTION 1.02	MEMBERSHIP APPLICATION AND SERVICE AGREEMENT	1
SECTION 1.03	JOINT MEMBERSHIP	2
SECTION 1.04	EFFECT OF DEATH, SEPARATION, OR DIVORCE ON A JOINT MEMBERSHIP	3
SECTION 1.05	CONNECT FEES	4
SECTION 1.06	ACCEPTANCE INTO MEMBERSHIP	4
SECTION 1.07	SUBSCRIPTION TO ALBEMARLE SOUNDS AND CAROLINA COUNTRY	4
SECTION 1.08	COOPERATIVE PROVISION OF ELECTRIC ENERGY	5
SECTION 1.09	MEMBER RECEIPT AND PURCHASE OF ELECTRIC ENERGY	5
SECTION 1.10	SELF POWER GENERATION	5
SECTION 1.11	MEMBER TO GRANT PROPERTY RIGHTS	5
SECTION 1.12	MEMBER PROVISION OF LOCATION FOR COOPERATIVE EQUIPMENT	6
SECTION 1.13	MAINTAINING MEMBER LOCATION AND EQUIPMENT	6
SECTION 1.14	METER TAMPERING; COOPERATIVE EQUIPMENT AND MEMBER EQUIPMENT ...	7
SECTION 1.15	MEMBER INDEMNIFICATION OF COOPERATIVE	7
SECTION 1.16	PAYMENTS TO COOPERATIVE	7
SECTION 1.17	EXCESS PAYMENTS TO BE CREDITED AS MEMBER FURNISHED CAPITAL	8
SECTION 1.18	INTEREST AND LATE PAYMENT FEES	8
SECTION 1.19	REDUCTION IN COOPERATIVE SERVICES	8
ARTICLE II	MEMBERSHIP SUSPENSION AND TERMINATION	9
SECTION 2.01	MEMBER SUSPENSION	9
SECTION 2.02	BOARD ACKNOWLEDGMENT OF MEMBERSHIP TERMINATION	9
SECTION 2.03	EFFECT OF SUSPENSION AND TERMINATION ON MEMBERSHIP	9
SECTION 2.04	AUTOMATIC TERMINATION; CONTINUATION OF MEMBERSHIP IN REMAINING PARTNER OR JOINT MEMBER	10
SECTION 2.05	LIFTING OF SUSPENSION; REINSTATEMENT OF A TERMINATED MEMBERSHIP .	10
ARTICLE III	MEETINGS OF MEMBERS	11
SECTION 3.01	ANNUAL MEETING	11
SECTION 3.02	SPECIAL MEMBER MEETINGS	11
SECTION 3.03	NOTICE OF MEMBER MEETINGS	11
SECTION 3.04	MEMBER QUORUM	12
SECTION 3.05	ORDER OF BUSINESS	13
SECTION 3.06	CREDENTIALS AND ELECTION COMMITTEE	13
SECTION 3.07	VOTING	15
SECTION 3.08	ELECTION OF DIRECTORS	15
SECTION 3.09	PROXIES	15
ARTICLE IV	DIRECTORS	17
SECTION 4.01	GENERAL POWERS	17
SECTION 4.02	TENURE	17
SECTION 4.03	DIRECTORATE DISTRICTS	17
SECTION 4.04	QUALIFICATIONS	17
SECTION 4.05	NOMINATING COMMITTEE	19
SECTION 4.06	MEMBER PETITION NOMINATIONS	20
SECTION 4.07	REMOVAL OF DIRECTORS BY MEMBERS	20
SECTION 4.08	VACANCIES	22
SECTION 4.09	DIRECTOR COMPENSATION	22

SECTION 4.10	RULES, REGULATIONS, RATE SCHEDULES, AND CONTRACTS	22
SECTION 4.11	DIRECTOR CONDUCT	23
SECTION 4.12	INDEMNIFICATION	23
SECTION 4.13	INSURANCE	24
ARTICLE V	MEETINGS OF DIRECTORS	25
SECTION 5.01	REGULAR MEETINGS	25
SECTION 5.02	SPECIAL MEETINGS	25
SECTION 5.03	NOTICE OF DIRECTORS' MEETINGS	25
SECTION 5.04	LOCATION AND MEANS OF BOARD MEETINGS	26
SECTION 5.05	WAIVER OF BOARD MEETING NOTICE	26
SECTION 5.06	DIRECTOR QUORUM AND VOTING	26
SECTION 5.07	BOARD ACTION BY WRITTEN CONSENT	27
SECTION 5.08	COMMITTEES	27
SECTION 5.09	BOARD EXECUTIVE COMMITTEE	27
ARTICLE VI	OFFICERS	29
SECTION 6.01	NUMBER AND TITLE	29
SECTION 6.02	ELECTION AND TERM OF OFFICE	29
SECTION 6.03	REMOVAL	29
SECTION 6.04	VACANCIES	29
SECTION 6.05	PRESIDENT	29
SECTION 6.06	VICE PRESIDENT	30
SECTION 6.07	SECRETARY	30
SECTION 6.08	TREASURER	31
SECTION 6.09	DELEGATION OF SECRETARY'S AND TREASURER'S RESPONSIBILITIES	31
SECTION 6.10	EXECUTIVE VICE PRESIDENT AND GENERAL MANAGER	31
SECTION 6.11	BONDS	32
SECTION 6.12	REPORTS	32
ARTICLE VII	CONTRACTS, CHECKS, DEPOSITS AND INVESTMENTS	33
SECTION 7.01	CONTRACTS	33
SECTION 7.02	CHECKS, DRAFTS, ETC.	33
SECTION 7.03	DEPOSITS AND INVESTMENTS	33
ARTICLE VIII	MEMBERSHIP CERTIFICATES	34
SECTION 8.01	CERTIFICATE OF MEMBERSHIP	34
SECTION 8.02	ISSUANCE OF MEMBERSHIP CERTIFICATE	34
SECTION 8.03	LOST CERTIFICATE	34
ARTICLE IX	NON-PROFIT COOPERATIVE OPERATION	35
SECTION 9.01	OPERATION	35
SECTION 9.02	PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY	35
SECTION 9.03	ALLOCATION OF CAPITAL CREDITS	35
SECTION 9.04	GENERATION AND TRANSMISSION (G&T) CAPITAL CREDITS	36
SECTION 9.05	NON-OPERATING MARGINS	36
SECTION 9.06	GENERAL RETIREMENT AND REFUND OF CAPITAL CREDIT	36
SECTION 9.07	RETIREMENT OF CAPITAL CREDITS UPON THE DEATH OF NATURAL PERSON PATRON	37
SECTION 9.08	RETIREMENT OF CAPITAL CREDITS UPON DISSOLUTION OR LIQUIDATION	37
SECTION 9.09	OFFSET OF DISTRIBUTION WITH MEMBER DEBT	37
SECTION 9.10	ASSIGNMENT OF CAPITAL CREDITS	38
SECTION 9.11	REASONABLE RESERVE	38

ARTICLE X DISPOSITION OF COOPERATIVE ASSETS 39

SECTION 10.01 **TRANSFER OF COOPERATIVE ASSETS** 39

SECTION 10.02 **MERGER OR CONSOLIDATION**..... 40

ARTICLE XI MISCELLANEOUS..... 41

SECTION 11.01 **“CLOSE RELATIVE” DEFINED** 41

SECTION 11.02 **FISCAL YEAR** 41

SECTION 11.03 **RULES OF ORDER**..... 41

SECTION 11.04 **SEAL** 41

SECTION 11.05 **GOVERNING LAW** 41

SECTION 11.06 **VALIDITY OF ELECTRONIC SIGNATURES**..... 41

SECTION 11.07 **TITLES AND HEADINGS** 42

SECTION 11.08 **PARTIAL INVALIDITY** 42

SECTION 11.09 **WAIVER**..... 42

SECTION 11.10 **ENTIRE AGREEMENT** 42

ARTICLE XII BYLAW AMENDMENTS..... 43

SECTION 12.01 **BYLAW AMENDMENTS**..... 43

**BYLAWS
OF
ALBEMARLE ELECTRIC MEMBERSHIP CORPORATION**

**ARTICLE I
MEMBERSHIP**

Section 1.01 **Eligibility**

Any individual or entity with the capacity to enter legally binding contracts (“Person”) and who consumes, receives, purchases, or otherwise uses (collectively, “Uses”) services or electric energy generated, transmitted, distributed, sold, supplied, furnished, or otherwise provided (collectively, “Provided”) by Albemarle Electric Membership Corporation (the “Cooperative”) is eligible to become and remain a Member.

An entity may be, without limitation, a natural person, a for-profit or non-profit corporation, a foreign corporation, an estate, a partnership, a limited liability company, a trust, two or more persons having a joint or common economic interest, or a state, the United States of America, a foreign government, or any agency or division thereof (collectively, “Entity”).

Section 1.02 **Membership Application and Service Agreement**

Before Using electric energy or services (collectively “Electric Service”) from the Cooperative, any Person seeking to become a Member must complete a Membership Application and Service Agreement in such form as shall be required by the Board of Directors (the “Board”), whereby the Person agrees:

- (a.) To be or remain a Member;
- (b.) To pay the Cooperative for all Electric Service Used or Provided according to the terms herein;
- (c.) To purchase electric energy from the Cooperative;
- (d.) To pay all applicable fees, charges, balances, and deposits;
- (e.) To provide all additional information and documents requested by the Cooperative; and

- (f.) To be bound by and to comply with all applicable laws and legally binding agreements regarding the Use of Electric Service from the Cooperative, including, but not limited to:
 - i. The Cooperative's Articles of Incorporation, Bylaws, Service Rules and Regulations, rate and price schedules, supplemental agreements, and any policy, resolution, action, or amendment adopted by the Cooperative's Board or Membership;
 - ii. Contracts and contractual provisions legally enforceable by or against the Cooperative, including, without limitation, those between the Cooperative and the Member; and
 - iii. Federal, state, and local legislative, executive, administrative, and judicial case law, statutes, regulations, ordinances, rulings, or orders.

The provisions of this Section 1.02 shall apply to any of the above items as they currently exist or may thereafter be modified, amended, or adopted (the obligations embraced by this Section being hereinafter referred to as the "Membership Obligations"). These Membership Obligations jointly constitute the Member Agreement between the Member and the Cooperative. No Person shall hold more than one Membership.

Section 1.03 Joint Membership

Two parties principally residing in the same location, jointly executing a Membership Application and agreeing to be jointly and severally bound by the Membership Obligations, or by specifically so requesting in writing, may be accepted into Joint Membership, or, if one of them is already a Member, convert such Membership into a Joint Membership. The words "Member," "Applicant," "Person," "his," and "her," as used in these Bylaws, shall include the two parties applying for or holding a Joint Membership. Unless otherwise clearly distinguished in the text, all provisions relating to the rights, powers, terms, conditions, responsibilities, and liabilities of Membership shall apply jointly and severally to each party to a Joint Membership. Without limiting the generality of the foregoing:

- a.) The presence at a Member Meeting of either or both Joint Members shall:
 - i. Constitute the presence of the entire Joint Membership,
 - ii. Constitute a joint waiver of notice of the meeting, and
 - iii. Constitute a revocation of any proxy executed by either or both.

- (b.) If one (1) party to a Joint Membership is present at a Member meeting and votes on any matter, the vote binds the entire Joint Membership and constitutes one (1) vote; provided, however, that:
 - i. If both parties are present but disagree on such vote, each shall cast only one-half (1/2) vote;
 - ii. If each executes a separate proxy on different dates, the one most recently executed shall revoke the former and shall constitute the sole joint proxy of the Joint Membership; or,
 - iii. If each executes a separate proxy on the same date, the holder or holders thereof shall cast only one-half (1/2) vote for each proxy;
- (c.) Notice to or waiver of notice signed or otherwise effected by either or both parties to a Joint Membership shall constitute, respectively, a joint notice or waiver of notice; and
- (d.) Unless specified otherwise herein, suspension or termination in any manner (except by death, separation, or divorce) of either Joint Member shall constitute, respectively, suspension or termination of the Joint Membership; provided, however, neither party to the Joint Membership shall be released from any debts or obligations arising prior to the suspension or termination.

A party to a Joint Membership may be appointed or elected to serve on any Committee or to serve on the Board; provided, however, that such service is not concurrent with service of the other party to the Joint Membership or is otherwise prohibited or limited by law or these Bylaws.

Section 1.04 Effect of Death, Separation, or Divorce on a Joint Membership

Death, separation, or divorce shall have the following effects on a Joint Membership:

- (a.) Upon the death of either party to a Joint Membership, such Membership shall continue to be held solely by the survivor, in the same manner and to the same extent as though such Membership had never been joint; provided, however, the estate of the deceased shall not be released from any debts or obligations due the Cooperative.
- (b.) Upon the divorce or failure of a party to a Joint Membership to reside principally in the same residence for a period of six (6) months, such Membership shall continue to be held solely by the one who continues to directly occupy or use the premises covered by such Membership, in the same manner and to the same extent as though such Membership

had never been joint; provided, however, the other party shall not be released from any debts or obligations due the Cooperative incurred during the joint membership.

Section 1.05 Connect Fees

Unless otherwise set forth in these Bylaws, payment of a Connect Fee, any required security deposit any required contribution in aid of construction, as such items are set forth in the Service Rules and Regulations, shall entitle the Member to one (1) service connection. The Board shall have the authority to promulgate Service Rules and Regulations that may include additional fees.

Section 1.06 Acceptance into Membership

Unless otherwise provided by these Bylaws and upon compliance with the requirements set forth in this Article, any applicant for Membership in the Cooperative (“Applicant”) shall automatically be accepted into Membership in, and become eligible to Use Electric Service Provided by the Cooperative, unless the Board shall determine that such Applicant is not willing or unable to satisfy and abide by the Cooperative's terms and conditions of Membership or that such application should be rejected for other good cause. Unless required by law or allowed by the Cooperative’s Articles of Incorporation, these Bylaws, or the Board, no Cooperative Membership and no right or privilege associated therewith, may be sold, purchased, assigned, or otherwise transferred. If the Board refuses any application for Membership in the Cooperative, as provided in these Bylaws, then the Cooperative shall return to the Applicant any amounts paid to the Cooperative with the exception of:

- Amounts paid for the Use of Cooperative Electric Service;
- Amounts paid for outstanding balances due the Cooperative, and any associated interest or other charges due.

Section 1.07 Subscription to Albemarle Sounds and Carolina Country

For the purpose of disseminating information devoted to the economical, effective, and conservative use of electric energy, the Board of Directors shall be empowered and authorized, on behalf of and for circulation to each Member, to subscribe to *Carolina Country Magazine* and to publish a newsletter entitled *Albemarle Sounds*, the annual subscription fees for which shall be deducted from any funds accruing in favor of the Members so as to reduce such funds in the same manner as any other expense of the Cooperative.

Section 1.08 Cooperative Provision of Electric Energy

The Cooperative will Provide electric energy to its Members in a reasonable manner, although it cannot and does not guarantee, insure, or warrant an adequate, continuous, or non-fluctuating supply thereof; and unless otherwise specified in the Membership Obligations, the Cooperative is not liable for any damages, costs, or expenses, including without limitation, attorney fees and legal expenses, caused by the Cooperative's Provision of electric energy, unless such damages, costs, or expenses are caused by gross negligence or willful misconduct of the Cooperative. All Cooperative responsibility and liability terminates upon the delivery of electric energy to the point at which its wires attach to the meter loop.

Section 1.09 Member Receipt and Purchase of Electric Energy

Each Member, for so long as the Member's premises, dwelling, structure, site, or facility owned, controlled, or directly or indirectly occupied by the Member pursuant to the Member's Membership (collectively the "Location") is owned or directly occupied or used by a Member, shall purchase from the Cooperative electric energy Provided by the Cooperative and Used on the Location, unless and except to the extent the Board of Directors may in writing waive such requirement; and each Member shall pay therefore at the times specified by, and in accordance with, the Membership Obligations (including any monthly minimum amount that may be charged without regard to the amount of electric energy actually used).

Section 1.10 Self Power Generation

Member production of electric energy at the Member's Location, regardless of the source thereof, by means of facilities interconnected with Cooperative facilities, shall be subject to appropriate regulation, as fixed from time to time by the Cooperative, and any failure to comply with such regulation shall be a breach of the Membership Obligations.

Section 1.11 Member to Grant Property Rights

Each applicant and Member shall, without compensation and upon being requested to do so by the Cooperative, execute and deliver to the Cooperative safe and reliable grants of easement and/or rights-of-way over, under, and on any real or personal property in which the Member possesses a legal right or interest, and in accordance with such reasonable terms and conditions, as are reasonably necessary to:

- (a.) Purchase, install, construct, inspect, monitor, operate, repair, maintain, remove, or relocate any Cooperative Equipment;
- (b.) Provide, monitor, measure, or maintain any Electric Service, whether or not such Electric Service shall constitute a benefit to the Member;
- (c.) Satisfy or facilitate any obligation incurred, or right granted, by the Cooperative regarding the use of Cooperative Equipment; or
- (d.) Safely, reliably, and efficiently operate the Cooperative and Provide any Cooperative service.

Section 1.12 Member Provision of Location for Cooperative Equipment

Each Applicant and Member shall, without compensation, make available to the Cooperative suitable sites, as determined by the Cooperative, whereon to place equipment, facilities, or structures, including without limitation, poles, towers, meters, conduit risers, and transformers (collectively “Equipment”) deemed necessary by the Cooperative for the Provision and metering of electric energy, and shall permit the Cooperative's authorized employees, agents, and contractors to have access thereto for meter reading, inspection, maintenance, replacement, relocation, or repair thereof at all reasonable times.

Section 1.13 Maintaining Member Location and Equipment

The Member shall ensure that any product, equipment, structure, facility, or any other good owned, controlled, operated, or furnished by the Member (“Member Equipment”) and connected to any product, equipment, structure, facility, or other goods owned, controlled, operated, or furnished by the Cooperative (“Cooperative Equipment”) complies with all Membership Obligations. Further, each Member has an affirmative obligation to take reasonable steps to avoid damage or excessive wear and tear with respect to Cooperative Equipment. As required by the Membership Obligations, and as otherwise required by the Cooperative to safely, reliably, and efficiently operate the Cooperative or Provide Electric Service, each Member shall maintain, and take all acts required by the Cooperative and the Membership Obligations involving:

- (a.) Every Location owned, occupied, or used pursuant to the Membership, and any real or personal property in which the Member possesses any legal right or interest, which real or personal property surrounds or is adjacent to the Location subject to the Membership;
- (b.) Any Member Equipment connected to any Cooperative Equipment;

- (c.) The Member's affirmative obligation to protect all Cooperative Equipment as well as all Member Equipment, and each Member shall install, implement, and maintain any protective device or procedure reasonably required by the Cooperative. Unless determined otherwise by the Board, the Cooperative owns all Cooperative Equipment.

Section 1.14 Meter Tampering; Cooperative Equipment and Member Equipment

No Member shall tamper with, interfere with, alter, damage, bypass, or impair any Cooperative Equipment, and each Member shall use best efforts to prevent others from doing so. No Member shall perform or fail to perform any act involving any Member equipment connected to any Cooperative Equipment that has the effect of adversely impacting the Cooperative's ability to safely, reliably, and efficiently operate the Cooperative or Provide Electric Service.

Section 1.15 Member Indemnification of Cooperative

In the event Cooperative Equipment is tampered with, interfered with, improperly used, impaired, bypassed, or damaged by the Member or the Member's negligence, or by any other person when the Member's reasonable care and surveillance could have prevented such, the Member shall indemnify the Cooperative, any Cooperative Director, officer, employee, agent, representative, contractor, and any other person for, and hold it or them harmless from, any expenses, costs, liabilities, or damages, including without limitation, reasonable attorney fees and legal expenses, incurred, because of any property damage, personal injury, or death resulting therefrom. Such indemnification shall also include, but not be limited to cost of repairing, replacing, or relocating any such Cooperative Equipment and the loss, if any, of revenues resulting therefrom. Further, each Member shall be responsible for and shall indemnify the Cooperative and any other person against death, injury, loss, or damage resulting from any defect in or improper use or maintenance of premises provided by the Member for location or placement of the Cooperative's Equipment.

Section 1.16 Payments to Cooperative

Each Member shall pay the Cooperative for all Electric Service Used by or Provided to the Member at or for any Location, together with any dues, assessments, fees, deposits, contributions, or other amounts required by these Bylaws, the Board, or the law. Notwithstanding the Cooperative's accounting procedures, if the Member holds more than one account, the Cooperative may

apply all amounts paid by any Member to all of the Member's accounts on a *pro rata* basis, or as otherwise determined by the Board.

Section 1.17 Excess Payments to be Credited as Member Furnished Capital

Unless specified otherwise by these Bylaws, all amounts paid for electric energy that are in excess of the cost thereof shall be furnished by Members as capital, and each Member shall be credited with the capital so furnished as provided in Article IX of these Bylaws, entitled "Non-Profit Cooperative Operation."

Section 1.18 Interest and Late Payment Fees

As determined in the sole discretion of the Board, the Cooperative may require Members to pay interest on amounts past due, compounded periodically, and Members shall be required to pay late payment fees for all delinquent amounts.

Section 1.19 Reduction in Cooperative Services

As required or allowed by law, and as determined by the Board; if a Member substantially reduces or ceases Use, receipt, or purchase of electric energy, the Cooperative may charge the Member, and the Member shall pay the Cooperative, the reasonable costs incurred by the Cooperative in relying upon the Member's pre-reduction or pre-ceasing Use, receipt, or purchase of electric energy.

ARTICLE II
MEMBERSHIP SUSPENSION AND TERMINATION

Section 2.01 Member Suspension

Unless otherwise set forth in these Bylaws, the Cooperative may automatically suspend a Member if the Member:

- (a.) Fails to timely pay all amounts due the Cooperative;
- (b.) Fails to timely comply with Membership Obligations;
- (c.) Ceases Using, receiving, or purchasing Electric Service;
- (d.) Dies, legally dissolves, or ceases to exist;
- (e.) Voluntarily requests suspension;
- (f.) Tampers with, interferes with, alters, damages, bypasses, or impairs Cooperative Equipment; or
- (g.) For other good cause determined by the Board (collectively “Suspension Reasons”); provided, however, the death, separation, or divorce of a party to a Joint Membership shall not result in automatic suspension.

Section 2.02 Board Acknowledgment of Membership Termination

Failure of a suspended Member to rectify the underlying Suspension Reason as required by the Membership Obligations shall result in the termination of a suspended Member. Upon the termination of a Membership for any reason, the Board, as soon as practicable after such termination is made known to it, shall acknowledge such termination effective as of the date on which the Cooperative ceased or will cease furnishing Electric Service to such Person. The Board of Directors, upon principles of general application, may establish such additional terms and conditions for renewed Membership as it determines to be reasonably necessary to assure the suspended or terminated Member’s compliance with all Membership Obligations.

Section 2.03 Effect of Suspension and Termination on Membership

Unless otherwise set forth herein, in the event a Member is suspended or terminated, the Cooperative may cease to Provide Electric Service, and all

duties, obligations, and liabilities of the Cooperative to the Member shall cease.

The suspension, or termination of a Member shall not, however, unless the Board of Directors shall expressly so elect, constitute a release of the Member from Membership Obligations as to entitle the Member to purchase from any other person or entity any electric energy for Use at the premises to which such service has been Provided pursuant to such Membership, and a suspended or terminated Member automatically forfeits all rights provided by the Membership Obligations, with the exception of the right to receive retired and refunded Capital Credits and rights upon the Cooperative's dissolution; provided, however, a suspended or terminated Member shall not be released from any debts or obligations arising prior to or resulting from the suspension or termination.

Section 2.04 Automatic Termination; Continuation of Membership in a Remaining Partner or Joint Member

The cessation of the legal existence of any Member not a Person, as the term is defined by these Bylaws, shall automatically terminate such Membership; provided, however, that in the event of a change in a partnership for any reason, including the withdrawal or addition of any individual partner, which results in the continued existence of the partnership, such Membership shall continue to be held by such remaining partner or partners, including any additional partners, as shall continue to Use Electric Service Provided by the Cooperative pursuant to such Membership; provided, further, that no former partner, nor the estate of same, shall be released from any debts or obligations due the Cooperative at the time the partner ceased to be a partner.

Section 2.05 Lifting of Suspension; Reinstatement of a Terminated Membership

The payment of all amounts and fulfillment of all obligations due the Cooperative under the Membership Obligations, including without limitation, the payment of any applicable fees, charges, and/or deposits required, the cessation of any non-compliance with the Membership Obligations within any applicable time limits established by the Board and/or the furnishing of all requested information shall reinstate a suspended or terminated Membership; provided, however, the Board of Directors, upon principles of general application in such cases, may establish such additional terms and conditions as it deems necessary to ensure future compliance with the Membership Obligations.

ARTICLE III MEETINGS OF MEMBERS

Section 3.01 Annual Meeting

For the purposes of electing Directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the Members, an annual meeting of the Members shall be held during September or October of each year, at such place in one of the North Carolina counties served by the Cooperative, and beginning at such hour, as the Board of Directors shall from year to year fix. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

Section 3.02 Special Member Meetings

A special meeting of the Members may be called by:

- (a.) Resolution of the Board of Directors;
- (b.) A written request signed by any three (3) of the Cooperative's Directors in office at the time the request is received; or
- (c.) One or more written requests signed by not less than three per centum (3%) of the Cooperative's Members. Each signed page of the request(s) shall describe the purpose(s) of the special meeting of the Members.

Upon receipt of such notice, it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Such notice shall describe the purpose, date, and time of the special meeting, which shall be held at such place in one of the counties in North Carolina in which the Cooperative Provides electric energy, on such date, and beginning at such hour, as shall be determined by the Board.

Section 3.03 Notice of Member Meetings

Written or printed notice of the place, day, and hour of a Member meeting, and, in the case of a special Member meeting or of an annual Member meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting, shall, except as provided otherwise by these Bylaws, be delivered by mail to each Member entitled to vote not less than fifteen (15) nor more than forty calendar days (40) before the date of the meeting.

If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to each Member at the address appearing on the Cooperative's records, with postage thereon prepaid and postmarked within the time period set forth herein. In making such computation, the date of the meeting shall not be counted.

Such notice shall be by or at the direction of the Secretary or, upon the Secretary's default in this duty, by any other Director.

The incidental failure of any Member to receive such notice shall not invalidate any action which may be taken by the Members at any such meeting, and the attendance in person or by proxy of a Member at any meeting of the Members shall constitute a waiver of notice of such meeting, unless such attendance shall be for the express purpose of objecting to the transaction of any business or one or more items of business, on the ground that the meeting was not lawfully called or convened.

If a written notice or report is part of a newsletter, magazine, or other publication regularly sent to Members and addressed or delivered to the addresses shown in the Cooperative's Membership List, such notice or report constitutes written notice sufficient to fulfill the notice required hereby.

Any member who desires to ask a question during the annual meeting must submit their inquiry in writing at the Cooperative's main office located at 159 Creek Drive, Hertford, no later than 10 days prior to the published annual meeting date.

Section 3.04 Member Quorum

Attendance in person or by proxy of at least one and one quarter per centum (1¼%) of the Members of the Cooperative shall be required for the transaction of business at any meeting of the Members, except that, if less than a Member quorum is present, a majority of those present in person may adjourn the meeting to another time and date not less than sixty (60) days later and to any place within one of the North Carolina counties in which the Cooperative Provides electric energy; provided, however, the Secretary shall notify any absent Members of the time, date, and place of such adjourned meeting by delivering notice in the method specified by this Article. At all meetings of the Members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes, by reference or otherwise, a list of those who were present in person and by proxy.

Section 3.05 Order of Business

The order of business at meetings of the Members, insofar as practicable or desirable, shall be essentially as follows:

- (a.) Report on the number of Members present in person and by proxy in order to determine the existence of a quorum;
- (b.) Reading of the notice of the meeting and proof of the due mailing thereof, or of the waiver or waivers of notice of the meeting, as the case may be;
- (c.) Approval of minutes of previous meetings and the taking of any necessary action thereon;
- (d.) Presentation and consideration of reports of officers, Directors, and committees;
- (e.) Election of Directors;
- (f.) Unfinished business;
- (g.) New business;
- (h.) Adjournment.

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

Section 3.06 Credentials and Election Committee

The Board of Directors shall, at least thirty (30) days before any meeting of the Members, appoint a Credentials and Election Committee consisting of an uneven number of Members, not less than four (4) nor more than eleven (11), who are not Directors, Cooperative employees, Close Relatives (as that term is defined in Section 11.01 of these Bylaws), Members of the same household of existing Directors, Cooperative employees, or known candidates for Directorships to be voted upon at such meeting. In appointing the Committee,

the Board shall have regard for equitable representation of the five (5) Directorate Districts served by the Cooperative.

It shall be the responsibility of the Credentials and Election Committee to:

- (a.) Elect its own Chairperson and Secretary prior to the Member meeting;
- (b.) Decide issues arising hereunder with respect to Director qualifications;
- (c.) Establish or approve the manner of conducting Member registration and any voting;
- (d.) Pass upon all questions that may arise with respect to the registration of Members in person or by proxy;
- (e.) Count, or supervise the counting of, all ballots cast in any election or in any other ballot vote taken;
- (f.) Rule upon the effect of any ballots or votes irregularly or indecisively marked; and
- (g.) Pass upon any protest or objection filed with respect to any election or to conduct affecting the results of any election or voting.

In the event of a protest or objection concerning any vote taken, such protest or objection must be filed in writing before 5:00 p.m. on the third (3rd) business day following the adjournment of the Member meeting at which the voting was conducted. The Committee shall thereupon be reconvened upon notice from its Chairperson not less than seven (7) days after such protest or objection is filed. The Committee shall hear such reasonable evidence as is presented by the protestor(s) or objector(s), who may be heard in person, by counsel, or both. The Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, which may be either to affirm or change the results of the voting or to set aside such voting or election. The Committee's decision (as reflected by a majority of those actually present and voting) on all such matters shall be final. The failure of the Cooperative or Credentials and Elections Committee to act as required by this Section shall not, by itself, affect any vote, Director Election, or other action taken at a Member meeting.

Section 3.07 Voting

Each Member who is not in a status of suspension shall be entitled to exactly one vote upon each matter submitted to a vote at a meeting of the Members. Voting by Members other than Members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registration at a meeting, of satisfactory evidence entitling the person presenting the same to vote in the name of the Member who is not a natural person. At all meetings of the Members at which a quorum is present, all issues subject to a vote of the Members shall be decided by a majority of the Members voting thereon in person and by proxy, except as otherwise provided by law, the Cooperative's Articles of Incorporation, or these Bylaws. Members may vote only upon matters described in the notice of a Member meeting.

Section 3.08 Election of Directors

At each annual meeting of the Members, the Members shall elect each Director by secret ballot when there is more than one (1) candidate for a given Directorate District, and the Director for that Directorate District shall be elected by a plurality vote of the Members present, in person and by proxy. Notwithstanding the above, during registration, and prior to a meeting at which Directors are to be elected, a locked ballot box may be placed inside or outside of the room, auditorium, hall, or other space in which the balloting will take place. In such event, Members and their proxies may cast Director votes prior to the time the annual meeting officially starts by placing their ballot in the box. Votes cast in such a manner shall be treated in the same manner as if the Member or proxy were present during the voting process during the annual meeting, and, as such, are irrevocable. In the event there is only one (1) candidate for a particular Directorate District, balloting for that District may be dispensed with, and voting may be conducted by those attending the Member meeting in person. Drawing by lot shall resolve, where necessary, any tie votes. There shall be no cumulative voting.

Section 3.09 Proxies

Except as otherwise provided by these Bylaws, at any meeting of the Members or any adjournment thereof, any Member, including Members that are Entities, may appoint an adult Close Relative, who shall be 18 years or older and reside principally in the same household as the Member, or another Member to vote on the Member's behalf ("Member Proxy"). The Cooperative shall accept votes, as provided in these Bylaws, properly taken by a Member Proxy on a Member's behalf as the Member's vote. The proxy appointed by the Member must comport with the following:

- (a.) It must be registered with the Secretary or the Secretary's duly designated registrar before or at the time of the meeting or any adjournment thereof. However, if such proxy is to be voted upon any matter the carrying of which requires the affirmative votes of at least a majority of all the Cooperative's members, the proxy must be registered with the Cooperative at its principal office during office hours on or before the third (3rd) business day preceding the date of the meeting or any adjournment thereof, as the case may be;
- (b.) It must be executed by the Member in writing and designate the holder or alternate holder(s) thereof; and
- (c.) It must specify the particular meeting and/or any adjournment thereof at which it is to be voted and must be dated not more than ninety (90) days prior to the date of such meeting or any adjournment thereof; provided, that, any mailed proxies not otherwise dated shall be deemed dated as postmarked if the postmark is satisfactorily evidenced; and provided further, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself designates otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment.

A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed unlimited.

In the event a Member executes two or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a Member at any meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy, unless said proxy had already been irrevocably cast. A person may vote as proxy for only one (1) Member on any matter.

Notwithstanding the foregoing provisions of this Section, whenever a member is absent from a meeting of the Members but whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such Member to the same extent that such Member could vote if present in person, unless some other qualified person holds such proxy in writing.

ARTICLE IV DIRECTORS

Section 4.01 General Powers

The business and affairs of the Cooperative shall be managed by a Board of nine (9) Directors, which shall exercise all of the powers of the Cooperative, except such as are by law, by the Cooperative's Articles of Incorporation, or by the Bylaws conferred upon or reserved to the Members.

Section 4.02 Tenure

Directors shall be so nominated and elected that three (3) shall be elected for three (3) year terms at each annual Member meeting; provided, however, that the terms of Directors representing the same Directorate District shall not coincide. Upon their election and unless otherwise set forth in the Bylaws, Directors shall serve until the annual meeting of the Members of the year in which their terms expire or until their qualified successors shall have been elected. If, for any reason, an election of Directors shall not be held at an annual meeting of the Members duly fixed and called pursuant to these Bylaws, such election may be held at an adjournment of such meeting, at a subsequently held special meeting, or at the next annual meeting of the Members. Failure of an election for a given year shall allow the incumbents whose Directorships were to be voted on to hold over only until the next Member meeting at which a quorum is present.

Section 4.03 Directorate Districts

Directors shall be nominated and elected in a manner such that the Board shall be comprised of two Directors from each of the four Directorate Districts, designated one (1) through four (4) inclusive and one Director from Directorate District Number five (5) as follows:

<u>Directorate District No.</u>	<u>Number of Directors</u>	<u>County</u>
1	2	Camden
2	2	Chowan
3	2	Pasquotank
4	2	Perquimans
5	1	All counties served

Section 4.04 Qualifications

To become or remain a Director, a Person must comply with or meet the following:

- (a.) Have the capacity to enter legally binding contracts;
- (b.) Be a Member of the Cooperative;
- (c.) Reside principally in the Directorate District from which a Director is to be chosen, and continuously and materially Use, receive, or purchase electric energy from the Cooperative at the Member's primary residence;
- (d.) Possess a valid high school diploma or equivalent certification; and
- (e.) Must not have been convicted of a felony, a crime involving moral turpitude, or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property.

A Member shall be disqualified from being or remaining a Director, as a result of a conflict of interest, if:

- (a.) The Member is a current, former, or retired employee currently receiving any benefit from an electric supplier or is the spouse of a current, former, or retired employee currently receiving any benefit from an electric supplier; provided, however, a former employee who is not a retiree currently receiving any benefit from the Cooperative and has not worked for the Cooperative within seven (7) years of the date of the relevant Director election or selection is not disqualified;
- (b.) The Member is a Close Relative of a current Director or of an employee of an electric supplier;
- (c.) The Member is employed by, materially affiliated with, or shares a material financial interest with any other Director;
- (d.) The Member is or has been employed by, materially affiliated with, or has a material financial interest in any individual or entity which regularly, directly or substantially competes with the Cooperative or its subsidiary or affiliates, including investor-owned utilities or municipalities providing similar services provided by the Cooperative,

unless the person has not been so employed or affiliated with the individual or entity for a period of at least seven (7) years from the date of the Director election or selection;

- (e.) The Member is employed by, materially affiliated with, or has a material financial interest in any individual or entity which regularly sells goods or services to the Cooperative or any Cooperative subsidiary or affiliate; and
- (f.) The Member seeks or applies for employment with the Cooperative. Any Director seeking to be employed by the Cooperative must submit his or her Board resignation prior to such time as he or she submits an application for employment or otherwise solicits the Cooperative for such employment.

If it is determined that any person being considered for or currently holding a position on the Cooperative's Board of Directors lacks eligibility under this Section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause him/her to be removed therefrom, whichever be the case. 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 Directors, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more of the disqualified Directors has an interest adverse to that of the Cooperative.

Section 4.05 Nominating Committee

The Board of Directors shall appoint, not less than sixty (60) nor more than one hundred and thirty (130) days before the date of the meeting of the Members at which Directors are to be elected, a Nominating Committee consisting of an uneven number of Members of the Cooperative, not less than five (5) nor more than eleven (11), who are not current Directors and who are not Close Relatives or Members of the same household of current Directors or known candidates. In selecting the Committee, the Board shall have regard for equitable representation of the five (5) Directorate Districts of the Cooperative.

At least thirty (30) days before the annual Member meeting, the Committee shall meet and prepare and post at the principal office of the Cooperative, a list of nominees for Directorate Districts to be elected, listing separately the nominee or nominees with respect to each Directorate District for which a Director must, pursuant to this Article, be elected at the meeting. The Committee shall include at least one (1) nominee for each Directorate District for which a Director is to be elected, including their name, address, and Directorate District of residency.

The Committee's posted list shall also clearly show which nominees are opposed with respect to the same Directorate District.

Section 4.06 Member Petition Nominations

Any fifty (50) or more Members of the Cooperative, acting together over their signatures not less than thirty (30) days prior to the meeting of the Members at which Directors are to be elected, may make nominations, listing separately the nominees with respect to the Directorate Districts from which they are nominated, and the Secretary, after verifying that a Member petition complies with these Bylaws, shall post such nominations at the same place where the list of nominations prepared by the Nominating Committee is posted. At least fifteen (15) days prior to the Member meeting, the Secretary shall mail to the Members, either with the notice of the meeting or separately, a statement containing the following:

- (a.) The total number of Directors to be elected, the Directorate Districts for which a Director must be elected, and
- (b.) For each nominee, the nominee's:
 - i. Name,
 - ii. Address,
 - iii. Directorate District of residency, and
 - iv. Opposing nominees, if any, showing those nominated by the Committee separately from those nominated by petition.

Section 4.07 Removal of Directors by Members

One or more Directors may be removed by the Members for any grossly negligent, fraudulent, or criminal commission or omission significantly and adversely affecting the Cooperative. No Director may be removed for lawfully opposing or resisting any transfer of Cooperative assets or any Cooperative dissolution.

- (a.) For each Director for whom removal is requested, the Member(s) seeking removal shall deliver to the Board President or Secretary a dated, written petition ("Director Removal Petition"):
 - i. Identifying the Director on each page;
 - ii. Explaining, on each page, the basis for seeking the Director's removal and identifying the grossly negligent, fraudulent, or criminal act or omission underlying the removal request; and

- iii. Containing the printed names, printed addresses, and original and dated signatures of at least three percent (3%) of the Cooperative's Membership obtained in a sixty (60) day period.

Within ten (10) days following receipt of a Director Removal Petition by the President or Secretary, the Cooperative shall forward a copy of the Director Removal Petition to the implicated Director, and within thirty (30) days following receipt of the Director Removal Petition, the Board shall meet to review the Director Removal Petition.

- (b.) If the Board determines that the Director Removal Petition complies with this Bylaw, then the Cooperative shall notice and hold a Member meeting within sixty (60) days following the Board's determination. Members may not vote to remove a Director by proxy. Notice of the Member meeting must contain the verbatim language of the charge against the Director, and state that:
 - i. A purpose of the Member meeting is to consider removing a Director;
 - ii. Evidence may be presented, and a Member vote taken, regarding the removal of the Director; and
 - iii. In the event the Director is removed, the Members may elect a successor Director.
- (c.) If a Member quorum is present at the Member meeting, then for the Director named in each Director Removal Petition:
 - i. Prior to any Member vote, evidence must be presented supporting the basis for removing the Director;
 - ii. The Director may be represented by legal counsel, and must have the opportunity to refute and present evidence opposing the basis for removing the Director; and
 - iii. Following the Director's presentation, and following Member discussion on the matter, the Members must vote, by secret ballot, whether to remove the Director.
- (d.) If a majority of the Members present in person vote to remove the Director, then the Director is removed effective the time and date of the Member vote. At the same Member meeting at which the Director is removed, the Members may elect a new Director to succeed the former Director without complying with the Director nomination or notice provisions of these Bylaws; provided, however, any successor Director must comply with the Director qualifications and shall serve the removed Director's unexpired term. Neither a Director Removal Petition nor Director Removal shall affect any Board action.

Section 4.08 Vacancies

Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Directors by the Members, a vacancy occurring on the Board shall be filled by the affirmative vote of a majority of the remaining Directors. A Director thus elected shall serve out the unexpired term of the Director whose office was originally vacated and until his or her successor is elected and qualified; provided, however, that such a Director shall represent the same Directorate District as did the Director whose office was vacated. A vacancy exists under this Section upon the death or resignation of a Director, a Director's ceasing to be a Member of the Cooperative, a Director's ceasing to meet the qualifications of a Director, an increase in the number of Directors, or a final adjudication that a Director is incompetent or is otherwise unable to serve out the duration of his or her term.

Section 4.09 Director Compensation

For their services as such, Directors shall, as determined by resolution of the Board, receive on a *per diem* basis, a fixed fee for attending meetings of the Board and, when such has had the prior approval of the Board, for the performance of Cooperative business. In addition, such compensation may include insurance benefits. For the performance of their duties, Directors shall also receive advancement or reimbursement of any actual travel and out-of-pocket expenses necessarily and reasonably incurred, in accordance with the Cooperative's established policies. The Board shall determine and approve the manner, method, and amount of any direct fee or expense. No Director shall receive compensation for serving the Cooperative in any other capacity, nor shall any Close Relative of a Director receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by the remaining Directors; provided, that, a Director who is also an officer of the Board of Directors, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed in advance of such service by the Board of Directors.

Section 4.10 Rules, Regulations, Rate Schedules, and Contracts

The Board of Directors shall have power to make, adopt, amend, abolish, and promulgate such rules, regulations, rate schedules, contracts, security deposits, and contributions in-aid-of-construction, not inconsistent with law, the Cooperative's Articles of Incorporation, or the Cooperative's Bylaws, as it may

deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

Section 4.11 Director Conduct

Unless modified or prohibited by law:

- (a.) Director Standard of Conduct. A Director shall discharge the Director’s duties:
 - i. In good faith;
 - ii. With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
 - iii. In a manner the Director reasonably believes to be in the Cooperative’s best interests.

- (b.) Director Reliance on Others. Unless a Director possesses knowledge concerning a matter making reliance unwarranted, then in discharging a Director’s duties, including duties as a Board Committee member, a Director may rely upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by:
 - i. One (1) or more Cooperative Officers or employees whom the Director reasonably believes to be reliable and competent in the matters prepared or presented;
 - ii. Legal counsel, public accountants, or other individuals regarding the matters the Director reasonably believes are within the individual’s professional or expert competence; and
 - iii. A Board Committee of which the Director is not a member regarding matters within the Board Committee’s jurisdiction, if the Director reasonably believes the Board Committee merits confidence.

Section 4.12 Indemnification

To the fullest extent of the law and consistent with the provisions of the North Carolina Nonprofit Corporation Act, North Carolina General Statutes Chapter 55A, the Cooperative may indemnify any person or Entity allowed thereby.

The Cooperative may indemnify any person, consistent with the provisions of North Carolina General Statutes § 55A, as now existing and as it may be amended in the future, including, but not limited to a person who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative or

investigative (other than an action brought by or in the right of the Cooperative) by reason of the fact that such person is or was a Director, officer, employee, or agent of the Cooperative or who is or was serving at the request of the Cooperative as a Director, officer, employee, or agent of another Cooperative, association, corporation, trust, partnership, joint venture, or other enterprise, against expenses, adjustments, fines, and amounts paid in settlement, actually and reasonably incurred by such person in connection with such action, suit or proceeding; provided, however, that such person acted in good faith and in a manner such person reasonably believed to be in, and not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct of such person was unlawful. Indemnification under this section shall be made only upon a determination by the Board that such indemnification is proper given the circumstances. If a quorum is not obtainable, the decision may be made by an independent legal counsel, if so directed by a majority of the disinterested Directors, or by the Members.

No indemnification shall be made with respect to any claim, issue, or matter if the person seeking indemnification shall have been adjudged to be liable or guilty of acting in bad faith or to be liable or guilty because of willful misconduct in the performance of duty.

Section 4.13 **Insurance**

Regardless of any indemnification authority or requirements, the Cooperative may purchase and maintain insurance on behalf of any individual who is or was a Cooperative Director, officer, employee, agent, or representative against any:

- (a.) Liability, including judgment, settlement, or otherwise, and
- (b.) Reasonable expenses, including reasonable attorneys' fees, asserted against or incurred by the individual in the individual's capacity or arising from the individual's status as a Cooperative Director, officer, employee, agent, or representative.

ARTICLE V MEETINGS OF DIRECTORS

***Section 5.01* Regular Meetings**

A regular meeting of the Board of Directors shall be held without notice, immediately after, and at the same place as, the Annual Meeting of the Members; provided, however, the Board of Directors may move such Board meeting to another place or date. A meeting of the Board of Directors shall also be held regularly at such date, time, and place as the Board of Directors may provide by resolution. For good cause shown, the President may change the date, time, and location of any regular Board of Directors meeting; provided, however, that notice is given as provided in Section 5.03 of this Article V entitled "Notice of Directors' Meetings." Except when business to be transacted thereat shall require special notice, such regular monthly meeting may be held without notice other than such resolution fixing the date, time, and place thereof; provided, however, that any Director absent from any meeting of the Board at which such a resolution determines or makes any change in the date, time, or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board.

***Section 5.02* Special Meetings**

Special meetings of the Board of Directors may be called by Board resolution, by the President or by any three (3) Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03 of this Article V. The President or the Directors calling the meeting shall fix the date and time for the meeting, which shall be held in any county served by the Cooperative, as the Board of Directors may determine.

***Section 5.03* Notice of Directors' Meetings**

Written notice of the date, time, place, and purpose or purposes of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each Director not less than five (5) days prior thereto, either:

- (a.) In person,
- (b.) By facsimile, electronic communication such as electronic mail, or other form of wire or wireless communication; or

- (c.) By mail or private carrier or courier service.

Notice shall be by or at the direction of the Secretary or, upon his or her default in this duty, by those calling the meeting in the case of a special meeting or by any other Director in the case of a regular meeting whose date, time, and place have already been fixed by Board resolution. If mailed, notice shall be deemed delivered when deposited in the United States mail, addressed to the Director at his or her address as it appears on the Cooperative's records, with postage thereon prepaid, and postmarked at least five (5) days before the meeting date. In making such computation, the date of the meeting shall not be counted. A notice transmitted by electronic means is effective upon transmission; provided, however, the transmission is addressed to an electronic mail address, facsimile number, or other destination specified by the Director for such purpose.

Section 5.04 Location and Means of Board Meetings

Unless otherwise required by these Bylaws, a Board of Directors meeting may be:

- (a.) Held in any state in which the Cooperative Provides any Cooperative service; and
- (b.) Conducted with physically absent Directors participating, and deemed present in person, through any means of communication by which all Directors participating in the meeting of the Board can reasonably and verifiably identify themselves and simultaneously and approximately instantaneously communicate with each other during the meeting of the Board.

Section 5.05 Waiver of Board Meeting Notice

The attendance of a Director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

Section 5.06 Director Quorum and Voting

The presence of a majority of the Directors in office will constitute a quorum and shall be required for the transaction of business. If a Director quorum is present at the time a vote is taken, and unless a greater number of votes is required, then the affirmative vote of a majority of the Directors present is the

act of the Board; provided, however, that a Director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of Directors in office; and provided further, that if less than a quorum is present at a meeting, a majority of the Directors present may adjourn the meeting to a different place and time, but absent Directors shall be duly and timely notified of the time and place of such adjourned meeting.

Section 5.07 Board Action by Written Consent

The Board may, by written consent, take any action required or permitted to be taken at a Board meeting, with the exception of actions with respect to mergers, acquisitions, consolidations, transfers of assets, and removal and election of Directors, provided the action is:

- (a.) Unanimous;
- (b.) In writing, in the form of one or more written consents (“Director Written Consent”):
 - i. Describing the action taken;
 - ii. Signed by each Director; and
 - iii. Included in the Cooperative’s Board Meeting Minutes.

Unless the Director Written Consent specifies otherwise, the Director Written Consent is effective on the date it is signed by the last Director affixing his or her signature thereto. Thereafter, the Director Written Consent has the effect of, and may be described as, a Board vote.

Section 5.08 Committees

The Board may create Committees of the Board (“Board Committees”) and appoint Directors to serve on the Board Committees. Each Board Committee must consist of two (2) or more Directors, and serves at the Board’s discretion.

Section 5.09 Board Executive Committee

Unless determined otherwise by the Board:

- (a.) A Board Executive Committee is comprised of the President, Vice-President, Secretary, and Treasurer (“Board Executive Committee”); and

- (b.) Except as prohibited by law, the Articles, or these Bylaws, the Board Executive Committee may exercise all Board authority regarding a matter.

The Board Executive Committee:

- (a.) Is a Board Committee;
- (b.) May exercise all Board authority granted by the Board and permitted by the law, the Articles, and these Bylaws; and
- (c.) At the next Board Meeting following the exercise of Board authority, shall report to the Board regarding the Board Executive Committee's exercise of Board authority.

ARTICLE VI OFFICERS

***Section 6.01* Number and Title**

The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, and such other officers as may from time to time be determined by the Board of Directors. The same person may hold the offices of Secretary and Treasurer, but the Director so designated may not execute, acknowledge, or verify any documents in more than one (1) capacity.

***Section 6.02* Election and Term of Office**

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

***Section 6.03* Removal**

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

***Section 6.04* Vacancies**

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

***Section 6.05* President**

Unless otherwise determined by the Board, and unless otherwise required by the law, the Articles of Incorporation, or these Bylaws, the President:

- (a.) Shall be the principal executive officer of the Cooperative and shall preside, or designate another individual to preside, at all meetings of the Board of Directors, and, unless determined otherwise by the Board of Directors, at all meetings of the Members;
- (b.) On the Cooperative's behalf, may sign any document properly authorized or approved by the Board or the Members; and
- (c.) Shall, in general, perform all the duties incident to the office of the President and, and shall have all responsibility, and may exercise all authority, as from time to time may be assigned to the President by the Board of Directors.

Section 6.06 **Vice President**

Unless otherwise determined by the Board, and unless otherwise required by the law, the Articles of Incorporation, or these Bylaws, the Vice President:

- (a.) Shall, in the absence, death, inability, or improper refusal of the President to act or perform the duties of the President, have all the powers of and be subject to all the restrictions thereto; and
- (b.) Shall, in general, perform all the duties incident to the office of the Vice President, and shall have all responsibility, and may exercise all authority, as from time to time may be assigned to him by the Board of Directors.

Section 6.07 **Secretary**

Unless otherwise determined by the Board, and unless otherwise required by the law, the Articles of Incorporation, or these Bylaws, the Secretary:

- (a.) Shall keep the minutes of meetings of the Members and of the Board of Directors in one or more books provided for that purpose;
- (b.) Shall see that all notices are duly given in accordance with these Bylaws or as required by law;
- (c.) Shall be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to any documents duly authorized in accordance with the provisions of these Bylaws or as required by law; and

- (d.) Shall, in general, perform all the duties incident to the office of the Secretary and shall have all responsibility, and may exercise all authority, as from time to time may be assigned to the Secretary by the Board of Directors.

Section 6.08 Treasurer

Unless otherwise determined by the Board, and unless otherwise required by the law, the Articles of Incorporation, or these Bylaws, the Treasurer:

- (a.) Shall have charge and custody of, and be responsible for, all funds and securities of the Cooperative;
- (b.) Shall receive monies due and payable to the Cooperative from any source whatsoever and deposit or invest all such monies in the name of the Cooperative in such bank or banks or securities as shall be selected in accordance with the provisions of these bylaws; and
- (c.) Shall perform all the duties incident to the office of the Treasurer and, and shall have all responsibility, and may exercise all authority, as from time to time may be assigned to him by the Board of Directors.

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

Notwithstanding the duties, responsibilities, and authorities of the Secretary and of the Treasurer, as provided in Sections 6.07 and 6.08, entitled “Secretary” and “Treasurer” respectively, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of such officers' duties to one or more agents, other officers or employees of the Cooperative who are not Directors. To the extent that the Board does so delegate with respect to either such officer, that officer as such shall be released from such duties, responsibilities, and authorities.

Section 6.10 Executive Vice President and General Manager

The Board of Directors shall appoint as Executive Vice President Officer and General Manager, who is not a member of the Board of Directors, and who may be, but who shall not be required to be, a Member of the Cooperative. A current member of the Board of Directors is ineligible for the position of Executive Vice President and General Manager. The Executive Vice President and General Manager shall perform such duties as the Board of Directors may from time to

time require and shall have such authority as the Board of Directors may from time to time vest in the Executive Vice President and General Manager.

Section 6.11 **Bonds**

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

Section 6.12 **Reports**

The officers of the Cooperative shall submit, or cause to be submitted, at each annual meeting of the Members reports covering the business of the Cooperative for the previous fiscal year.

ARTICLE VII
CONTRACTS, CHECKS, DEPOSITS AND INVESTMENTS

Section 7.01 **Contracts**

Except as otherwise provided in these Bylaws, the Board may authorize any Cooperative officer, agent, or employee to enter into any contract or to execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 7.02 **Checks, Drafts, Etc.**

All checks, drafts, or other orders for the payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative, shall be signed by such officers, agents or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

Section 7.03 **Deposits and Investments**

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

ARTICLE VIII MEMBERSHIP CERTIFICATES

***Section 8.01* Certificate of Membership**

Membership in the Cooperative may, if the Board so resolves, be evidenced by a Certificate of Membership which shall be in such form and shall contain such provisions as shall be determined by the Board. Such certificate, if issued by the Board, shall be signed by the President and by the Secretary, or the signatures of the President and of the Secretary may be imprinted by facsimile thereon, and the corporate seal shall be affixed thereto, or a facsimile thereof printed thereon.

***Section 8.02* Issuance of Membership Certificate**

No Membership Certificate may issue until the appropriate Connect Fee has been paid and all other requirements of Membership have been met.

***Section 8.03* Lost Certificate**

In case of a lost, destroyed, or mutilated Membership Certificate, the Board may issue a new one upon such terms as the Board may prescribe.

ARTICLE IX
NON-PROFIT COOPERATIVE OPERATION

Section 9.01 **Operation**

The Cooperative shall operate, at all times, on a cooperative non-profit basis for the mutual benefit of its Members (“Patrons”). No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its Patrons.

Section 9.02 **Patronage Capital in Connection with Furnishing Electric Energy**

In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all Patrons will, through their Patronage, furnish capital for the Cooperative. In order to induce Patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a Patronage basis to all its Patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts 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 Patrons as capital.

Section 9.03 **Allocation of Capital Credits**

The Cooperative is obligated to pay by credits to a capital account for each Patron all such amounts in excess of operating costs and expenses (“Capital Credits”) derived from furnishing electric energy. 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 for electric energy is clearly reflected and credited in an appropriate record to the capital account of each Patron, and the Cooperative shall notify each Patron of the amount of capital so credited to the Patron’s account within a reasonable time after the close of the fiscal year; provided, however, that individual notices of such amounts furnished by each Patron shall not be required if the Cooperative notifies all Patrons of the aggregate amount of such excess and provides a clear explanation of how each Patron may compute and determine the specific amount of capital so credited to the Patron. 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 of capital.

Section 9.04 Generation and Transmission (G&T) Capital Credits

If the Cooperative is a member, owner, or patron of another cooperative organization that provides power supply services to the Cooperative (“G&T Cooperative”), then, to the extent the G&T Cooperative allocates or credits funds, amounts, or capital to the Cooperative, the Cooperative may separately allocate and credit to its Patrons, the G&T capital credits. The Cooperative is to allocate G&T capital credits in proportion to the value or quantity of the Cooperative service used by each of its patrons.

- (a.) In proportion to the value or quantity of the Cooperative service used by each Patron; and
- (b.) If the Cooperative determines, and separately identifies, the G&T Capital Credits.

Section 9.05 Non-Operating Margins

Other than Operating Margins, funds and amounts received by the Cooperative that exceed the Cooperative’s costs and expenses (“Non-Operating Margins”) may be:

- (a.) Allocated as Capital Credits to Patrons in the same manner the Cooperative allocates Operating Margins to Patrons;
- (b.) Retained or used by the Cooperative as permanent, non-allocated capital;
- (c.) Used to pay or offset any Cooperative cost or expense; or
- (d.) Used as otherwise determined or approved by the Board.

Section 9.06 General Retirement and Refund of Capital Credit

At any time prior to the Cooperative’s dissolution or liquidation, and if the Board determines that the Cooperative’s financial condition will not be adversely impacted:

- (a.) The Board may authorize the Cooperative to, and the Cooperative may retire and refund Capital Credits to Patrons and former Patrons; or

- (b.) After a G&T Cooperation retires and refunds G&T Capital Credits to the Cooperative, the Board may require the Cooperative to retire and refund the corresponding G&T Capital Credits to Patrons and former Patrons.

The Board shall determine the manner, method, and timing of retiring and refunding Capital Credits. When the Capital Credits of any Patron no longer receiving service from the Cooperative comes to a total amount of less than a fixed sum determined by the Board of Directors, the same shall be retired in full with such retirements made only when and at the same time that general retirement to other patrons is made. During a general Capital Credit retirement, no checks shall be issued for less than a fixed amount determined by the Board, and the amount of such unretired capital credits will be retired in the first following year, when the total amount of capital credits qualifying for retirement exceeds that amount set by the Board, including the amount carried over.

Section 9.07 Retirement of Capital Credits Upon the Death of Natural Person Patron

Upon the death of any individual Patron or former individual Patron (“Deceased Patron”), but not upon the cessation of existence of any Entity Patron or Entity former Patron, and pursuant to a written request from the Deceased Patron’s legal representative, the Board may retire the Deceased Patron’s Capital Credits under terms and conditions agreed upon by the Deceased Patron’s legal representative and the Cooperative.

Section 9.08 Retirement of Capital Credits upon Dissolution or Liquidation

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding Capital Credits shall be retired of Members. All allocations and retirements of capital shall be at the discretion and direction of the Board as to kind, method, timing, and type of assignment and distribution.

Section 9.09 Offset of Distribution with Member Debt

The Cooperative, before retiring and refunding any capital credited to any Patron’s account, may deduct therefrom any amount owed by such Patron to the Cooperative, including any reasonable compounded interest and late payment fee determined by the Board. The Patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the

Cooperative and each Patron, and both the Cooperative and the Patrons are bound by such contract, as fully as though each Patron had individually signed a separate instrument containing such terms and provisions.

Section 9.10 Assignment of Capital Credits

Except as otherwise provided in these Bylaws or by law, Capital Credits may not be assigned or transferred except upon:

- (a.) A Patron delivering a written assignment or transfer to the Cooperative;
- (b.) The Patron complying with any other reasonable requirement determined by the Board; and
- (c.) The Board approving the assignment or transfer.

Patrons at any time may assign their capital credits back to the Cooperative and the Cooperative is authorized to negotiate capital credit settlement arrangements with bankrupt patrons.

Section 9.11 Reasonable Reserve

Regardless of any contrary Bylaw, and to meet the Cooperative's reasonable needs, the Cooperative may accumulate and retain amounts exceeding those needed to meet current losses and expenses ("Reasonable Reserves"). The Cooperative shall keep record necessary to determine, at any time, each Member's rights and interest in any Reasonable Reserves.

ARTICLE X
DISPOSITION OF COOPERATIVE ASSETS

Section 10.01 Transfer of Cooperative Assets

Except for any sale, lease, exchange, or other disposition (“Transfer”) of any Cooperative property or Cooperative asset (“Asset”):

- (a.) To secure indebtedness;
- (b.) Pursuant to condemnation or threat of condemnation;
- (c.) Pursuant to an existing legal obligation;
- (d.) Associated with a consolidation or merger;
- (e.) To another Entity operating on a cooperative basis and providing electric energy; or
- (f.) To a Cooperative Subsidiary.

The Cooperative shall not transfer or consolidate or merge all or, during any twelve (12) month period, in excess of 10% of the Cooperative’s net assets (other than merchandise or property which lie within the limits of an incorporated city or town or in the judgment of the Board of Directors are not necessary or useful in operating the Cooperative) unless:

- (a.) At the expense of the Person seeking to purchase, lease, or acquire the Cooperative’s Assets, the Board appoints three (3) independent appraisers, each of whom, within a reasonable time of appointment, evaluates and renders an appraisal valuing the Cooperative’s Assets specified in the proposed transfer (“Appraisal”);
- (b.) The Board, after receiving such appraisals, determines that the proposal should be considered by the Members, and invites other Entities operating on a cooperative basis, providing electric energy, and that are primarily located within the same state as the state in which the Cooperative is primarily located to submit their own proposals relating to the disposition of the Asset;
- (c.) The Board approves the proposed Transfer;

- (d.) At least two-thirds (2/3) of the Total Membership approves the proposed Transfer;
- (e.) Notice of any Member Meeting at which Members will consider the proposed Transfer states that one (1) of the purposes of the Member Meeting is to consider the Transfer, and includes a copy of the proposal(s) or a summary of the proposed Transfer; and
- (f.) In proportion to the value or quantity of Cooperative Services Used by Members during the period in which the Cooperative owned a Cooperative Asset, the Cooperative allocates and credits to Members as Capital Credits any consideration received for the Transfer that exceeds the amount paid for the Cooperative Assets.

Unless otherwise determined by the Members, after the Members approve a Transfer, the Board may abandon the Transfer. To secure indebtedness, the Board may Transfer, mortgage, pledge, dedicate to repayment, or encumber any Cooperative Asset.

Section 10.02 Merger or Consolidation

In a manner determined by the Board that is consistent with these Bylaws, Chapter 117 of the North Carolina General Statutes (entitled “Electrification”), as amended, and as otherwise proscribed by law, the Cooperative may consolidate or merge with any other Entity operating on a cooperative basis that Provides electric energy.

ARTICLE XI MISCELLANEOUS

Section 11.01 "Close Relative" Defined

As used in these Bylaws, "Close Relative" means an individual who, by blood, law or marriage, including half, step, foster, and adoptive relations, is a spouse, child, grandchild, parent, grandparent, or sibling; or an individual who resides in the same residence as the Member, Director, or employee, as applicable.

Section 11.02 Fiscal Year

The Cooperative's fiscal year shall begin on the first day of the month of January of each year and end on the last day of the month of December of the same year.

Section 11.03 Rules of Order

Parliamentary procedure at all meetings of the Members, of the Board, of any committee provided for in these Bylaws, and of any other committee of the Members or Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or Bylaws.

Section 11.04 Seal

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words, "Corporate Seal, North Carolina".

Section 11.05 Governing Law

These Bylaws and the other Membership Obligations are governed by, and are to be interpreted under, the laws of the State of North Carolina and, any proceedings or actions arising therefrom shall be brought in a forum of competent jurisdiction located therein.

Section 11.06 Validity of Electronic Signatures

To the extent that any document or communication affecting or relating to the relationship between the Cooperative and the Members, including Directors, is completed or transmitted by electronic means, the Member agrees to be bound by federal and state laws and regulations governing the validity of such

communications and electronic signatures, and agrees that any such electronic transmission to or from the Member satisfies any requirement imposed by the Membership Obligations or the law that a document, communication, signature, notice or other communication be in writing. The Member agrees that any document sent electronically to the Member or former Member at the Member's last known electronic address is considered received on the date sent by the Cooperative.

Section 11.07 Titles and Headings

The titles and headings of the Articles and Sections of these Bylaws are for convenience and reference only, and do not affect the interpretation of any Bylaw Article, Section, or sub-section thereof.

Section 11.08 Partial Invalidity

The invalidity of any Bylaw provision does not invalidate the remaining Bylaw Provisions. In the event a provision of these Bylaws is found to be invalid, the remaining provisions are to be read in such a manner as to give the fullest effect to the entire document as if, to the extent legally possible, the invalid provision were valid.

Section 11.09 Waiver

The failure of the Cooperative to assert any right or remedy provided by these Bylaws does not waive the right or remedy provided by these Bylaws.

Section 11.10 Entire Agreement

These Bylaws, and all other Membership Obligations, constitute the entire agreement between the Cooperative and the Members and supersedes any prior or contemporaneous oral or written communication or representation.

ARTICLE XII
BYLAW AMENDMENTS

Section 12.01 Bylaw Amendments

These Bylaws may be altered, amended, or repealed by the affirmative vote of not less than a majority of the Board of Directors in office at any regular or special meeting of the Board, but only if the notice of such meeting:

- (a.) Shall state that the purpose, or one (1) of the purposes of the Board meeting is to consider the proposed Bylaw change; and
- (b.) Shall contain a copy of the proposed alteration, amendment or repeal, or an accurate summary explanation thereof.

