

Bylaws of
Wake Electric Membership Corporation

Wake Forest, N.C.

Table of Contents

Article	Section	Subject
I		MEMBERSHIP
	1.01	Eligibility
	1.02	Application for Membership; Renewal of Prior Application
	1.03	Membership Fee; Service Security and Facilities Facilities Extension Deposits; Contribution in Aid of Construction
	1.04	Joint Membership
	1.05	Acceptance into Membership
	1.06	Purchase of Electric Power and Energy; Power Production by Member; Application of Payments to All Accounts
	1.07	Excess Payments to be Credited as Member-Furnished Capital
	1.08	Wiring of Premises; Responsibility Therefore, Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification
	1.09	Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Programs

Article	Section	Subject
II		MEMBERSHIP SUSPENSION AND TERMINATION
	2.01	Suspension; Reinstatement
	2.02	Termination by Expulsion; Renewed Membership
	2.03	Termination by Withdrawal or Resignation
	2.04	Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners
	2.05	Effect of Termination
	2.05	Effect of Death, Legal Separation or Divorce upon a Joint Membership
	2.07	Board Acknowledgement of Membership Termination; Acceptance of Members Retroactively
III		MEETINGS OF MEMBERS
	3.01	Annual Meetings
	3.02	Special Meetings
	3.03	Notice of Member Meetings
	3.04	Quorum
	3.05	Credentials and Election Committee
	3.06	Voting
	3.07	Proxies
	3.08	Order of Business

Article	Section	Subject
IV		DIRECTORS
	4.01	Number and General Powers
	4.02	Qualifications
	4.03	Election
	4.04	Tenure
	4.05	Directorate Districts
	4.06	Nominations
	4.07	Voting for Directors; Validity of Board Action
	4.08	Removal of Directors by Members
	4.09	Vacancies
	4.10	Compensation; Expenses
	4.11	Rules, Regulations, Rate Schedules and Contracts
	4.12	Accounting System and Reports
	4.13	Subscription to Cooperative's Newsletter; Subscription to Statewide's Publication
	4.14	"Close Relative" Defined
V		MEETINGS OF DIRECTORS
	5.01	Regular Meetings
	5.02	Special Meetings
	5.03	Notice of Directors Meetings
	5.04	Quorum
	5.05	Action without Meeting

Article	Section	Subject
VI		OFFICERS: MISCELLANEOUS
	6.01	Number and Title
	6.02	Election and Term of Office
	6.03	Removal
	6.04	Vacancies
	6.05	President
	6.06	Vice President
	6.07	Secretary
	6.08	Treasurer
	6.09	Delegation of Secretary's and Treasurer's Responsibilities
	6.10	General Manager; Executive Vice President
	6.11	Bonds
	6.12	Compensation; Indemnification
	6.13	Reports
VII		CONTRACTS, CHECKS, AND DEPOSITS
	7.01	Contracts
	7.02	Checks, Drafts, etc.
	7.03	Deposits; Investments

Article	Section	Subject
VIII		MEMBERSHIP CERTIFICATES
	8.01	Certificate of Membership
	8.02	Issue of Membership Certificates
	8.03	Lost Certificate
IX		NON-PROFIT OPERATION
	9.01	Interest or Dividends on Capital Prohibited
	9.02	Patronage Capital in Connection with Furnishing Electric Energy
	9.03	Patronage Refunds in Connection with Furnishing Other Services
X		WAIVER OF NOTICE
XI		DISPOSITION AND PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION
	11.01	Disposition and Pledging of Property
	11.02	Distribution of Surplus Assets on Dissolution
XII		FISCAL YEAR
XIII		RULES OF ORDER
XIV		SEAL
XV		AMENDMENTS

BYLAWS FOR WAKE ELECTRIC MEMBERSHIP CORPORATION
Wake Forest, North Carolina

(Revised as of September 19, 2016)

ARTICLE I
MEMBERSHIP

SECTION 1.01. **Eligibility.** Any natural person, firm, association, corporation, business trust, partnership, Federal agency, state or political subdivision thereof, or body politic (each hereinafter referred to as "person," "applicant," "him" or "his") shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by him, to receive electric service from, Wake Electric Membership Corporation (hereinafter called the "Cooperative"). No person shall hold more than one membership in the Cooperative.

SECTION 1.02. **Application for Membership; Renewal of Prior Application.** Application for membership--wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative's Certificate of Incorporation and Bylaws, and all rules, regulations, rate classifications and rate schedules established pursuant thereto, as all the same then exist or may thereafter be adopted or amended (the obligations embraced by such agreement being hereinafter called "membership obligations")--shall be executed in writing by the applicant on such form as is provided therefore by the Cooperative. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefore by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.03 (together with any service security deposit, service connection deposit or fee, facilities extension deposit, contribution in aid of construction, or any other special deposits that may be required by the Cooperative), which fee (and such service security deposit, service connection deposit or fee, facilities extension deposit, contribution in aid of construction or any other special deposits, if any) shall be refunded in the event the application is by Board resolution denied. Any former member of the Cooperative may, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at the North Carolina legal rate on judgments in effect when such account first became overdue, compounded annually (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

SECTION 1.03. **Membership Fee; Service Security and Facilities Extension Deposits; Contribution in Aid of Construction.** The membership fee shall be as fixed from time to time by the Board of Directors. The membership fee (together with any service security deposit, or service connection deposit or fee, facilities extension deposit, contribution in aid of construction, any other special deposits, or any combination thereof, if required by the Cooperative) shall entitle the member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative (together with a service security deposit, a facilities' extension deposit, a

contribution in aid of construction, any other special deposits, or any combination thereof, if required by the Cooperative), shall be paid by the member for each additional service connection requested by him.

SECTION 1.04. Joint Membership. A husband and wife, by specifically so requesting in writing, may be accepted into joint membership or, if one of them is already a member, may automatically convert such membership into a joint membership by jointly executing another membership application. The words "member," "applicant," "person," "his" and "him," as used in these Bylaws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing--

(a) the presence at a meeting of either or both shall constitute the presence of one member, a joint waiver of notice of the meeting, and a revocation of any proxy executed by either or both;

(b) the vote of, or proxy executed by, either or both shall constitute, respectively, one joint vote or proxy: PROVIDED, that if both be present but in disagreement on such vote, each shall cast only one-half (1/2) vote; AND PROVIDED FURTHER, that if each executes a separate proxy, the one most recently executed shall revoke the former and shall constitute their sole joint proxy; or, if each executes a separate proxy on the same date, the holder or holders thereof shall cast only one-half (1/2) vote in respect of each;

(c) notice to, or waiver of notice signed by, either or both shall constitute, respectively, a joint notice or waiver or notice;

(d) suspension or termination in any manner of either shall constitute, respectively, suspension or termination of the joint membership;

(e) each, but not both concurrently, shall be eligible to serve as a director of the Cooperative, but only if both meet the qualifications required therefor; and

(f) neither will be permitted to have any additional service connections except through their one joint membership.

SECTION 1.05. Acceptance into Membership. Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically become a member on the date of his connection for electric service; PROVIDED, that the Board of Directors may by resolution deny any application and refuse to extend service upon its determination that the applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application should be denied for other good causes: PROVIDED FURTHER, that any person whose application for sixty (60) days or longer, has been submitted to but not denied by the Board of Directors and who has not been connected by the Cooperative for electric service may by filing written request therefore with the Cooperative at least thirty (30) days prior to the next meeting of the members, have his application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

SECTION 1.06. Purchase of Electric Power and Energy; Power Production by Member; Application of Payments to All Accounts. The Cooperative shall use reasonable

diligence to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership, unless and except to the extent that the Board of Directors may in writing waive such requirement; and shall pay therefore at the times, and in accordance with the rules, regulations, rate classifications and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative, any payment for service to him by the Cooperative shall be deemed to be allocated and credited on a pro rata basis to his outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and proration.

SECTION 1.07. Excess Payments to be Credited as Member-Furnished Capital. All amounts paid for electric service 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.

SECTION 1.08. Wiring of Premises; Responsibility Therefore; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification. Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the North Carolina Fire Insurance Underwriters Association, the National Electrical Code, and applicable state code or local government ordinances, and of the Cooperative. If the foregoing specifications are variant, the more exacting standards shall prevail. Each member

shall be responsible for--and shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of--such premises and all wiring and apparatus connected thereto or used thereon. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his best efforts to prevent others from so doing. Each member shall also

provide such protective devices to his premises, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative extend beyond the point of delivery.

SECTION 1.09. Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Programs. Each member shall, upon being requested so to do by the Cooperative, execute and deliver to the Cooperative grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service to him or other members or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities. Each member shall, participate in any required program and comply with related rates and service rules and regulations that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

ARTICLE II MEMBERSHIP SUSPENSION AND TERMINATION

SECTION 2.01. Suspension; Reinstatement. Upon his failure, after the expiration of the initial time limit prescribed either in a specific notice to him or in the Cooperative's generally publicized applicable rules and regulations, to pay any amounts due the Cooperative or to cease any other non-compliance with his membership obligations, a person's membership shall automatically be suspended; and he shall not during such suspension be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, and/or cessation of any other non-compliance with his membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the membership, in which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meetings of its members.

SECTION 2.02. Termination by Expulsion; Renewed Membership. Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 2.01, he may, without further notice, but only after due hearing before the Board of Directors if such is requested by him, be expelled by resolution of the Board of Directors at any subsequently held regular or special meeting of the Board. Any person so expelled may, by delivering written notice to

that effect to the Cooperative at least ten (10) days prior to the next meeting of the members, appeal to and be present and heard at such meeting, which may vote approval of such expulsion or disapproval thereof, in which latter event such person's membership shall be reinstated retroactively to the date of his expulsion by the Board. After any finally effective expulsion of a member, he may not again become a member except upon new application therefore as provided in Section 1.02 and 1.05. The Board of Directors, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all his membership obligations.

SECTION 2.03. Termination by Withdrawal or Resignation. A member may withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to (or, with the approval of the Board of Directors, resigning his membership in favor of a new applicant who also shall) own or directly occupy or use all premises being furnished electric service pursuant to his membership, or (b) except when the Board of Directors specifically waives such condition, abandoning totally and permanently the use of central station electric service on such premises.

SECTION 2.04. Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners. Except as provided in Section 2.06, the death of an individual human member shall automatically terminate his membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership: PROVIDED, that upon the dissolution for any reason of partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly to occupy or use the premises being furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners: PROVIDED FURTHER, that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative.

SECTION 2.05. Effect of Termination. Upon the termination in any manner of a person's membership, he or his estate or legal representatives, as the case may be, shall be entitled to refund of his membership fee and of any service security deposit and/or service connection deposit he has paid the Cooperative, less any amounts due the Cooperative; but neither he nor his estate nor legal representatives, as the case may be, shall be released from any debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or expulsion of a member, as provided for in Section 2.01 and 2.02, such suspension or expulsion shall not, unless the Board of Directors shall expressly so elect, constitute such release of such person from his membership obligations as to entitle him to purchase from any other person any central station electric power and energy for use at the premises to which such service has theretofore been furnished by the Cooperative pursuant to such membership.

SECTION 2.06. Effect of Death, Legal Separation or Divorce upon a Joint Membership. Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint: PROVIDED, that the estate of the deceased spouse shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a

joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership, in the same manner and to the same effect as though such membership had never been joint: PROVIDED, that the other spouse shall not be released from any debts due the Cooperative.

SECTION 2.07. Board Acknowledgment of Membership Termination; Acceptance of Members Retroactively. Upon the termination of a person's membership for any reason, the Board of Directors, so soon as practicable after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination, effective as of the date on which the Cooperative ceased furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for membership retroactively to the date on which such person first began receiving such service, in which event the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly.

ARTICLE III MEETINGS OF MEMBERS

SECTION 3.01. Annual Meeting. For the purpose of electing directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held on the fourth Friday of the month of March each year, at such place in one of the counties in North Carolina within which the Cooperative serves, and beginning at such hour, as the Board of Directors shall from year to year fix: PROVIDED, that, for cause sufficient to it, the Board of Directors may fix a different date for such annual meeting not more than thirty (30) days prior or subsequent to the day otherwise established for such meeting in this Section. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for, and to encourage member attendance at, the annual meeting. 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 Meetings. A special meeting of the members may be called by resolution of the Board of Directors or upon written request signed by any three (3) directors, or by at least ten (10%) percent of the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.03. Such a meeting shall be held at any place within one of the counties in North Carolina which the Cooperative serves, on such date, not sooner than forty (40) days after the call or request for such meeting is made, and beginning at such hour as shall be designated by those calling or requesting the same.

SECTION 3.03. Notice of Member Meetings. Written or printed notice of the place, day and hour of the meeting and, in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting shall be delivered to each member not less than seven (7) days nor, except as provided in Article XI, more than one hundred and twenty (120) days before the date of the meeting, by any reasonable means, by or at the direction of the President, the Secretary, or other officer or persons calling or requesting the meeting. Reasonable means of providing such notice shall include but not be limited to United

States mail, personal delivery, the Cooperative's monthly newsletter, or member service billings. No matter the carrying of which, as provided by law or by the Cooperative's Certificate of Incorporation or Bylaws requires the affirmative votes of at least a majority of the then-total members of the Cooperative, shall be acted upon at any meeting of the members unless notice of such matter shall have been contained in the notice of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the Cooperative's records, with postage thereon prepaid and postmarked at least seven (7) days before the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and non-intended 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 shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at least the beginning of the meeting of his objection.

SECTION 3.04. Quorum. Business may not be transacted at any meeting of the members unless, there are present in person or proxy at least one (1%) percent of the then-total members of the Cooperative, except that, if less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date at least thirty-five (35) days later and to any place within one of the counties in North Carolina which the Cooperative serves: PROVIDED, that the Secretary shall notify any absent member of the time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03. At all meetings of the members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person or by proxy.

SECTION 3.05. Credentials and Election Committee. The Board of Directors shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee consisting of an odd number of Cooperative members not less than five (5) nor more than fifteen (15) who are not members of the Nominating Committee or existing Cooperative employees, agents, officers, directors or known candidates for director, and who are not close relatives (as hereinafter defined) or members of the same household thereof. In appointing the Committee, the Board shall have regard for the equitable representation of the several areas served by the Cooperative. The Committee shall elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members in person or by proxy, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of directors (including but not limited to the validity of petitions of nomination or the qualifications of candidates and the regularity of the nomination and election of directors), and to pass upon any protest or objection filed with respect to any election or to conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days

following the adjournment of, the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protestor(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and 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, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Committee may not affirmatively act on any matter unless a majority of the Committee is present. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final.

SECTION 3.06. Voting. Each member who is not in a status of suspension, as provided for in Section 2.01, shall be entitled to one vote and no more 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 each member meeting, of satisfactory evidence entitling the person presenting the same to vote. A person entitled to cast the vote of such an entity, who is also himself a member, may vote his own membership as well as that of the entity he represents. At all meetings of the members at which a quorum is present, all questions shall be decided by a majority of the members voting thereon in person or by proxy, except as otherwise provided by law or by the Cooperative's Certificate of Incorporation or these Bylaws. Members may not cumulate their votes.

SECTION 3.07. Proxies. At any meeting of the members or any adjournment thereof, any member, including members who are not natural persons, may vote by proxy, but only if such proxy (a) is registered with the Secretary or his duly designated registrar before or at the time of the meeting or any adjournment thereof, or, if such proxy is to be voted on any matter the carrying of which requires the affirmative votes of not less than a majority of the then-total members of the Cooperative, is registered with the Cooperative at its principal office in Wake Forest, North Carolina, during office hours on or before the third business day next preceding the date of the meeting or any adjournment thereof, as the case may be, (b) is executed by the member in writing and designates the holder thereof (and, if the member so desires, an alternate holder thereof and/or conferring upon the holder(s) full power of substitution), which holder(s) (or substitute(s), if any) shall be the member's spouse, an adult close relative (18 years or older) residing in the same household as the member, or another member who is a natural person, (except that the natural person holding the proxy of a member who is not a natural person need not himself be a member), and (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than sixty (60) 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 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 specifies 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 to be unlimited. In the event a member executes two or more proxies for the same meeting or for 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 a meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or any 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. A person entitled under this Section may vote as proxy for an unlimited number of members on any matter the carrying of which, as provided by law requires the affirmative votes of a majority of the then-total members of the Cooperative, but no person shall vote as proxy for more than five (5) members on any other matter, except that such a person who is voting as the duly authorized representative of one or more members which are not natural persons, as provided for in Section 3.05, may vote as proxy for as many as five (5) members with respect to each non-natural person member of which he is such representative. 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 such member has given a written proxy to some other person eligible to vote such proxy.

SECTION 3.08. Order of Business. The order of business at the annual meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

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

Notwithstanding the foregoing, the Board of Directors 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 is necessary or desirable in advance of any other item of business. Additional agenda items or items of business may be added for discussion at the annual member meeting, if a request for the same, is made in writing to the Cooperative's principal office in Wake Forest, North Carolina, by at least ten (10%) percent of the members entitled to vote at the meeting, and the request is received by the Cooperative's secretary or president at least thirty (30) days prior to the annual or special meeting. In no event though shall an additional item of business be considered at the meeting if the proposed item may not lawfully or properly be considered and determined by the members. If the Board determines that the members' request is improper, the Board's decision shall be communicated to the first member whose name appears on the written request. **PROVIDED**, 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.

ARTICLE IV DIRECTORS

SECTION 4.01. Number and General Powers. The business and affairs of the Cooperative shall be managed by a Board consisting of nine (9) directors, which shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Certificate of Incorporation or Bylaws conferred upon or reserved to the members.

SECTION 4.02 Qualifications. Any member shall be eligible to become or remain a director of the Cooperative save and except those who:

- (a) While serving on the Board or during the ten (10) years preceding his or her nomination thereto shall have been finally adjudged to be guilty of a felony; or
- (b) Are or become a close relative of an incumbent director or of an employee of the Cooperative, PROVIDED, no incumbent director shall lose eligibility to remain a director or to be re-elected as a director if he or she becomes a close relative of another incumbent director or of a Cooperative employee because of marriage to which he or she was not a party; or
- (c) Have not continuously been, for at least two (2) years prior to his or her nomination, or who have ceased after his or her election to be, a member in good standing of the Cooperative, receiving service therefrom at his or her primary residential abode in the Directorate District from which he or she is elected, PROVIDED, that an individual who is now a member may be eligible to become or remain a director notwithstanding that he or she has not been a member in good standing for the two (2) years prior to his or her nomination, so long as that individual's spouse (who was a member) met all terms of this condition for the two (2) years prior to the individual's nomination, and the individual and spouse have been married and receiving service together at their primary residential abode in the Directorate District from which he or she is elected for the two (2) years immediately prior to the nomination and, PROVIDED further, that the operating or chief executive of any member which is not a natural person, such as a corporation, church, etc., or his or her designee, shall, notwithstanding that he or she does not receive service from the Cooperative at his or her primary residential abode, be eligible to become a director, from the Directorate District in which such member is located, if he (or she) or such designee (1) is in substantial permanent occupancy, direction or use of the premises served by the Cooperative, and (2) is a permanent and year-round resident within or in close proximity to an area served by the Cooperative, BUT PROVIDED FURTHER, that no more than one (1) person may serve on the Board of Directors at the same time); or
- (d) Are removed by a majority vote of the remaining directors, in accordance with the procedures hereinafter set forth; or
- (e) Are not at least eighteen (18) years old; or
- (f) Are or within the past ten years have been employed by the Cooperative;
- (g) Are or within the past ten years have been employed by any subsidiary of the Cooperative;

- (h) Are or within the past five years have been employed by any cooperative, corporation, limited liability company or other organization or legal entity in which the Cooperative is a member;
- (i) Are or within the past five years have been employed by any cooperative, corporation, limited liability company or other organization or legal entity in which the Cooperative is a stockholder owning or in control of two percent or more of the outstanding interest in such entity; or
- (j) Are or within the past ten years have been in any way: (1) employed by or hold a substantial financial interest in a competing enterprise, or (2) a vendor selling supplies to the Cooperative;
- (k) Are or within the past ten years have been in any way employed by or hold a substantial financial interest in a business selling electric energy to the Cooperative or a business substantially engaged in selling electrical or plumbing appliances, fixtures, supplies or wiring primarily to the members of the Cooperative.
- (l) Are or within the past five years have been employed by, or worked primarily as a consultant to, any other electric, telephone, natural gas or other utility company, including generation companies and power marketers, or any trade association or governmental agency or entity which deals with utility services including, but not limited to, other electric membership corporations, investor-owned utilities or municipally-owned utilities.
- (m) Notwithstanding any other provisions in Section 4.02, Section 4.02 shall not disqualify any individual who has previously served as a director for an electric or telephone membership cooperative from serving on this Cooperative's board of directors.

No person shall be eligible to remain a director of the Cooperative who has not acquired the designation of "Credentialed Cooperative Director" (as so defined by the National Rural Electric Cooperative Association) within six (6) years of his or her election to the Board. This requirement concerning "Credentialed Cooperative Director" certification shall apply to all directors elected or appointed to the Board for the first time, on or after January 1, 2001, and shall not apply to directors already elected to the Board as of January 1, 2001.

No person shall be eligible to remain on the Board of Directors should that person's mental or physical condition or mental or physical incapacity prevent that person from attending the cooperative board meetings on a regular basis or prevent that person from performing the duties of director of the cooperative.

Any director who shall have served at least three full three-year terms on the Board, and who vacates his office as a director for any reason (except for removal by the members for cause), shall if he so requests, become a Director Emeritus of the Board, eligible to attend all meetings of the Board and obligated to attend any meeting for which the Board requests his presence. A Director Emeritus shall have the same rights with respect to hospitalization and other insurance as regular members of the Board. For each meeting of the Board he attends at the request of the Board, he shall receive the same per diem and expenses as paid to regular members of the Board.

Upon establishment of the fact that a nominee for director lacks eligibility under this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the chairman presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. Upon the establishment of the fact that any person being considered for, or already holding, a directorship or other position of trust in the Cooperative lacks eligibility under this Section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause him to be removed therefrom, whichever be the case. Nothing contained in this Section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more of the directors have an interest adverse to that of the Cooperative.

SECTION 4.03. Election. At each annual meeting of the members, directors shall be elected by secret written ballot by the members and, except as provided in the first proviso of Section 4.02 of these Bylaws, from among those members who are natural persons: PROVIDED that, when the number of nominees does not exceed the number of directors to be elected from a particular Directorate District, and if there be no objection, secret written balloting may be dispensed with in respect of that District and voting may be conducted in any other proper manner. Directors shall be elected by a plurality of the votes cast unless the members in advance of any balloting resolve that a majority of the votes cast shall be required to elect, and this Bylaw provision shall be drawn to the attention of the members and explained to them prior to any balloting. Drawing by lot shall resolve, where necessary, any tie votes.

SECTION 4.04. Tenure. Directors shall be so nominated and elected that one director from or with respect to Directorate Districts Nos. 1, 4 and 8 shall be elected for three-year terms at an annual member meeting; one director from or with respect to Directorate Districts Nos. 3, 6, and 9 shall be elected for three-year terms at the next succeeding annual member meeting; and one director from or with respect to Directorate Districts 2, 5, and 7 shall be elected for three year terms at the next succeeding annual member meeting, and so forth. Upon their election, directors shall, subject to the provisions of these bylaws with respect to the removal of directors, serve until the annual meeting of the members of the year in which their terms expire or until their successors shall have qualified. If for any reason an election of directors shall not be held at an annual meeting of the members duly fixed and called pursuant to these bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special or the next annual meeting of the members. Failure of an election for a given year shall allow the incumbents whose directorships would have been voted on to hold over only until the next member meeting at which a quorum is present.

SECTION 4.05. Directorate Districts. The territory served by the Cooperative shall be divided into nine (9) Directorate Districts. Each District shall be represented by one (1) director. The Directorate Districts shall be as follows:

District One is an at-large district that includes the Cooperative's entire service area.

District Two is an at-large district that includes the Cooperative's entire service area.

District Three is that portion of the Cooperative's service area located in Franklin, Granville and Vance Counties north of N.C. Highway 56.

District Four is that portion of the Cooperative's service area located in Wake County north of the Neuse River; west of U.S. Highway 1 until it intersects with U.S. Highway 1-A south of Wake Forest, then west of U.S. 1-A, and in Durham and Granville Counties south of N.C. Highway 56; west of N.C. Highway 50.

District Five is that portion of the Cooperative's service area located in Wake County east of U.S. Highway 1 up to its intersection with U.S. Highway 1-A south of Wake Forest and then east of U.S. Highway 1-A; south of Rogers Road; west of U.S. Highway 401; and north of the Neuse River.

District Six is that portion of the Cooperative's service area located in Wake and Franklin Counties east of U.S. Highway 1-A south of Tarboro Road; west of U.S. Highway 401; and north of the Rogers Road.

District Seven is that portion of the Cooperative's service area located in Granville and Franklin Counties east of N.C. Highway 50; south of N.C. Highway 56; west of Highway 1-A; north of Tarboro Road; and west of Highway 401.

District Eight is that portion of the Cooperative's service area located in Wake and Franklin Counties north of the Neuse River; east of U.S. Highway 401; south of Tarboro Road; and south of N.C. Highway 98.

District Nine is that portion of the Cooperative's service area located in Johnston and Nash Counties; and Franklin County east of Highway 401; north of Tarboro Road; and north of N.C. Highway 98.

Notwithstanding the foregoing number of Districts, District descriptions and number of District directors presently provided for in this section and in other sections of this Article IV, every year the Board of Directors, not less than ninety (90) days prior to the earliest date on which the annual member meeting may be scheduled pursuant these Bylaws to be held, shall review the Districts and Directorships. If the Board determines that the boundaries or number of Districts should be altered or that the number of District directors should be increased or reduced, so as to correct any substantially inequitable factors regarding the residence of members, the number or the geographic location of District directors, the Board shall amend these Bylaws accordingly and may, after such amendments become effective, appoint any additional directors provided for by such amendments, and may fix their respective initial terms, not to exceed three years. The Board of Directors shall cause all such amendments and the names, addresses and initial terms of any such newly appointed additional directors to be noticed in writing to the members not less than five (5) days prior to the date on which the Committee on Nominations for the next annual member meeting shall first convene, and shall also, in timely advance of such Committee meeting, inform the members of the name, addresses and telephone numbers of the members of the Nominating Committee and of the date, hour and place of that Committee's first meeting.

From and after the date of notice of amendments, these Bylaws shall have been effectively amended accordingly, except that such Districts and/or the number of District directors may also be changed by amendment of these Bylaws by the members from time to time in order to establish the most equitable and geographical representation of the Board of Directors: PROVIDED, that any change so made by action of the Board shall be in full force and effect until at least the completion of the election of directors at the annual meeting of the members first held in accordance with such changes effectuated by the Board of Directors; AND PROVIDED FURTHER, that no such change, whether effectuated by the Board or by the members, shall become effective so as to compel the vacancy of any director's office prior to the time such director's term would normally expire unless such director consents thereto in writing.

SECTION 4.06. Nominations. The Board of Directors shall appoint the Committee on Nominations and Resolutions consisting of up to nine (9) members of the Cooperative, who are not existing Cooperative employees, agents, officers, directors or known candidates for director, who are not close relatives (as hereinafter defined) or members of the same household thereof, and generally so that each of the Cooperative's nine (9) Directorate Districts shall have one representative.

The General Manager shall convene the Committee and it shall be the duty of the Committee to meet and prepare and post at the principal office of the Cooperative not less than seventy (70) days prior to the meeting a list of nominations for directors to be elected, listing separately the nominee(s) with respect to each Directorate District form or with respect to which a director must, pursuant to this Article, be elected at the meeting. The Committee may include as many nominees for any director to be elected with respect to any Directorate District as it deems desirable. Notwithstanding the preceding paragraph, nothing shall preclude the Committee from nominating one or more of its own members for membership on the Board provided that such one or more Committee members shall not have been known candidates therefore prior to their appointment to the Committee and shall not participate in the voting with respect to their own nominations. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative.

Any fifteen (15) or more members of the Cooperative, acting together, may make additional nominations in writing over their signatures, listing their nominee(s) in like manner, not less than sixty (60) days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted.

The Secretary shall mail to the members with the notice of the meeting, or separately, but at least seven (7) days prior to the date of the meeting, a statement of the names and addresses of all nominee(s), from or with respect to each Directorate District from or with respect to which one or more directors must be elected, showing clearly those nominated by the Committee and those nominated by petition, if any. Notwithstanding anything in this Section contained, failure to comply with any of the provisions of this Section shall not affect in any manner whatsoever the

validity of any action taken by the Board of Directors after the election of directors at such meeting.

SECTION 4.07. Voting for Directors; Validity of Board Action. In the election of directors, each member shall be entitled to cast the number of votes (but not cumulatively) which corresponds to the total number of directors to be elected, but no member may vote for more nominees than the number of directors that are to be elected from or with respect to any particular Directorate District. Ballots marked in violation of the foregoing restriction with respect to one or more Directorate Districts shall be invalid and shall not be counted with respect to such District or Districts. Notwithstanding anything in this Section contained, failure to comply with any of the provisions of this Section shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of directors.

SECTION 4.08. Removal of Directors by Members. Cooperative members may remove any Director for cause by the affirmative vote of a majority of the Cooperative's membership. Cooperative members may not remove a Cooperative Director without cause. Cooperative members must vote individually for each Cooperative Director being considered for removal. Cooperative members may only remove a Cooperative Director pursuant to this Bylaw.

For removal purposes, "cause" shall mean that the Director has committed an act, or omission, adversely affecting the Cooperative's business or affairs, or with the potential of adversely affecting the Cooperative's business or affairs, and amounting to (1) gross negligence, (2) fraud, (3) criminal conduct, or (4) an intentional act or omission constituting a conflict of interest with the Cooperative. "Cause" for removal shall not mean making a good faith business or management decision or judgement with which the Cooperative members disagree, including, but not limited to, making a good faith business or management decision or judgement to oppose selling all, or substantially all, of the Cooperative's assets.

A Director shall be removed only upon compliance with the following procedures: For each individual Cooperative Director being considered for removal, presentation to the Cooperative's Board of Directors of a written petition which: (1) States the name of the Director being considered for removal, (2) Individually describes and explains, in detail, each of the alleged reasons for removal, and the basis for each reason, (3) Notwithstanding any other member percentages contained in these Bylaws, is signed by at least ten percent (10%) of the Cooperative's members within sixty (60) days of the petition date, and (4) Lists the names, addresses, and telephone numbers of all Cooperative members signing the petition.

If the Cooperative's Board of Directors determines, in its discretion, that the petition complies with this Bylaw, and if the Cooperative's Secretary authenticates the petition and its' members' signatures, then a meeting of the Cooperative's members shall be noticed pursuant to these Bylaws, and shall be held within sixty (60) days after the Cooperative receives the written petition. The notice of the meeting shall state that the purpose, or one of the purposes, of the meeting is to consider removing a Director. At the meeting, evidence must be presented supporting the removal reasons alleged against the Director. The Director shall be entitled to be represented by counsel, and, before any vote, shall have an opportunity to refute any charges or statements against the

Director, and to present evidence in the Director's defense. Nothing contained in this Bylaw shall affect, in any manner, any action properly taken by the Cooperative's Board of Directors.

SECTION 4.09. Vacancies. Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the Board of Directors. A director thus elected shall serve out the unexpired term of the director whose office was originally vacated and until his successor is elected and qualified: PROVIDED, that such a director shall be from or with respect to the same Directorate District as was the director whose office was vacated.

SECTION 4.10. Compensation; Expenses. Directors shall, as determined by resolution of the Board of Directors, receive on a per diem basis a fixed fee, which may include insurance benefits, for attending meetings of the Board of Directors and, when such has had the prior approval of the Board of Directors for otherwise performing their duties. The fee or fees fixed for otherwise performing their duties need not be the same as the fee fixed for attending meetings of the Board of Directors. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred, in performing their duties. No close relative of a director shall be employed by the Cooperative and no director shall receive compensation for serving the Cooperative in any other capacity, unless the employment of such relative or in the service of such director is temporary and shall be specifically authorized by a vote of the members upon their resolved determination that such was an emergency measure: PROVIDED, that a director who is also an officer of the Board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the unanimous vote of the remaining directors; AND PROVIDED FURTHER, that an employee shall not lose eligibility to continue in the employment of the Cooperative if he becomes a close relative of a director because of marriage to which he was not a party.

SECTION 4.11. Rules, Regulations, Rate Schedules and Contracts. The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate classifications, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Cooperative's Certificate of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 4.12. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of, such year. A full and accurate summary of such audit reports shall be submitted to the members at least annually. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

SECTION 4.13. **The Cooperative's Monthly Newsletter; Subscription to "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, on behalf of and for circulation to the members periodically, to subscribe to a monthly newsletter. The annual subscription, which shall not be less than \$.25 nor more than \$2.50, shall be deducted from any funds accruing in favor of such members, so as to reduce such funds in the same manner as would any other expense of the Cooperative. The Board of Directors shall be empowered, on behalf of and for circulation to the members periodically, to subscribe to "Carolina Country." The annual subscription therefore, which shall not be less than \$.50 nor more than \$5.00, shall be deducted from any funds accruing in favor of such members, so as to reduce such funds in the same manner as would any other expense of the Cooperative.

SECTION 4.14. **"Close Relative" Defined.** As used in these Bylaws, "close relative" means a person who, by blood or in law, including step, half, foster and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece of the principal.

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 the adjournment of the annual meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual member meeting. A regular meeting of the Board of Directors shall also be held monthly at such date, time and place in one of the counties in North Carolina within which the Cooperative serves as the Board of Directors may provide by resolution. 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, that any director absent from any meeting of the Board at which such a resolution initially 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; AND PROVIDED FURTHER that, if a policy therefore is established by the Board, the President may change the date, time or place of a regular monthly meeting for good cause and upon at least five (5) days' notice thereof to all directors.

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. The Board, the President, or the directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties in North Carolina within which the Cooperatives serves, unless all directors consent to its being held in some other place in North Carolina or elsewhere. Special meetings, upon proper notice as otherwise provided in Section 5.03, may also be held via telephone conference call, without regard to the actual location of the directors at the time of such a telephone conference meeting, if all the directors consent thereto.

SECTION 5.03. Notice of Directors Meeting. Written notice of the date, time, place (or telephone conference call) 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 personally or by mail, by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by him or those calling it in the case of a special meeting or by any other director or officer in the case of any meeting whose date, time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at his address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days before the meeting date. 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 5.04. Quorum. The presence in person of a majority of the directors in office shall be required for the transaction of business and the affirmative votes of a majority of the directors present and voting shall be required for any action to be taken: PROVIDED, 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 or present; AND PROVIDED FURTHER that, if less than a quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause the absent directors to be duly and timely notified of the date, time and place of such adjourned meeting.

SECTION 5.05. Action without Meeting. (a) Action required or permitted, either by law, by the Cooperative's Certificate of Incorporation, or by these bylaws, to be taken at a Board of Directors' meeting may be taken without a meeting if the action is taken by all members of the Board. The action shall be evidenced by one or more written consents signed by each Director before or after such action, describing the action taken, and included in the minutes or filed with the Cooperative's records reflecting the action taken. (b) Action taken under this bylaw is effective when the last Director signs the consent, unless the consent specifies a different effective date. (c) consent signed under this bylaw has the effect of a meeting vote and may be described as such in any document.

ARTICLE VI OFFICERS; MISCELLANEOUS

SECTION 6.01. Number and Title. The officers of the Cooperative shall be a President, Vice President, Secretary and Treasurer, and such other officers as may from time to time be determined by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person.

SECTION 6.02. Election and Term of Office. The four officers named in Section 6.01 shall be elected by secret ballot, annually and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of the 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 or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term.

SECTION 6.05. President. The President shall--

(a) be the principal executive officer of the Board and shall 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) sign, with the Secretary, certificates of membership the issue of which shall have been authorized by resolution of the Board of Directors, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

(c) in general, perform, all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 6.06. Vice President. In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the President; and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.07. Secretary. The Secretary shall--

(a) keep, or cause to be kept, the minutes of meetings of the members and of the Board of Directors in one or more books provided for that purpose;

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

(c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue

thereof and to all documents the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these Bylaws or is required by law;

(d) keep, or cause to be kept, a register of the name and post office address of each member, which address shall be furnished to the Cooperative by such member;

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

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

(g) keep on file at all times a complete copy of the Cooperative's Certificate of Incorporation and Bylaws, together with all amendments thereto, which copies shall always be open to the inspection on any member, and, at the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto upon request to any member; and

(h) in general, perform 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 of Directors.

SECTION 6.08. Treasurer. The Treasurer shall--

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

(b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit 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 provisions of these Bylaws; and

(c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of 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 hereinbefore provided in Sections 6.07 and 6.08, 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 each such officer's such 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. General Manager; Chief Executive Officer. The Board of Directors may appoint a General Manager, who may be, but who shall not be required to be, a member of the Cooperative, and who also may be designated Chief Executive Officer. The Manager shall perform such duties as the Board of Directors may from time to time require of him and shall have such authority as the Board of Directors may from time to time invest in him.

SECTION 6.11. Bonds. The Board of Directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charge 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 give bond 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. Compensation; Indemnification. The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be determined as provided in Section 4.10 of these Bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed or a plan therefore approved by the Board of Directors. The Cooperative shall indemnify present and former directors, officers, including the General Manager (or, if so titled, the Executive Vice President) agents and employees against liability to the extent that their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and, if actionable at all, were based upon good faith business judgments in the belief the acts or omissions were in the best interests of the Cooperative or were not against the best interest of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

SECTION 6.13. 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 and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII CONTRACTS, CHECKS AND DEPOSITS

SECTION 7.01. Contracts. Except as otherwise provided by law or these Bylaws, the Board of Directors may authorize any Cooperative officer, agent or employee to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 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 or countersigned by such officer, agent or employee of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 7.03. Deposits; 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 of Directors 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 of Directors not contrary to, or inconsistent with, the Cooperative's Certificate of Incorporation or its Bylaws. Such certificate, if authorized to be issued by the Board, shall be signed by the President and by the Secretary, and the

seal shall be affixed thereto: PROVIDED, that the seal and the signatures of the President and the Secretary may be imprinted thereon by facsimile.

SECTION 8.02. Issue of Membership Certificates. No membership certificate shall be issued for less than the membership fee fixed by these Bylaws nor until such membership fee, any required service security deposits, facilities extension deposits, service connection fees, or contributions in aid of construction have been fully paid.

SECTION 8.03. Lost Certificate. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefore upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

ARTICLE IX NON-PROFIT OPERATION

SECTION 9.01. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTIONS 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 of 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. 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. 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: PROVIDED, 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 for himself the specific amount of capital so credited to him. All such amounts credited to the capital account of any patron 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.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its

patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members: PROVIDED, that insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during that period insofar as is practicable, as determined by the Board of Directors, before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. The Board of Directors shall determine the method, basis, priority and order of making such retirements: PROVIDED, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of those portion ("power supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing power supply to the Cooperative and ("donated capital portion") of capital credited to the accounts of patrons which corresponds to the capital supplied to the Cooperative by (a) the estates of deceased members and (b) organizations that provide for a prepayment discount of debt. Such rules shall (a) establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's patrons, (c) provide for appropriate notifications to patrons with respect to such portions of capital credited to their accounts, and (d) preclude a general retirement of such portions of capital credited to patrons for any fiscal year prior to the same year or of any capital credited to patrons for any prior fiscal year.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor 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 of Directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the Board of Directors shall, at its discretion, have the power at any time upon the death of any patron, who was a natural person (or if as so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a patron, which assignee was a natural person), if the legal representatives of his estate shall request in writing that the capital credited to such patron be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire such capital immediately upon such terms and conditions as the Board of Directors, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon: PROVIDED, however, that the financial condition of the Cooperative will not be impaired thereby.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, together with interest thereon at the North Carolina legal rate on judgments in effect when such amount became overdue, compounded annually.

SECTION 9.03. Patronage Refunds in Connection with Furnishing Other Services. In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons from whom such amounts were obtained at such time and in such order of priority as the Board of Directors shall determine.

ARTICLE X WAIVER OF NOTICE

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

ARTICLE XI DISPOSITION AND PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

SECTION 11.01. Disposition and Pledging of Property. (a) Not inconsistently with the provisions of subsection (b) hereof, the Cooperative shall not sell, mortgage, lease or otherwise encumber or dispose of any of its property (other than merchandise and property which lie within the limits of an incorporated city or town, which shall represent not in excess of ten (10%) percent of the total value of the Cooperative's assets, or which in the judgment of the Board of Directors are not necessary or useful in operating the Cooperative) unless authorized so to do by the votes cast in person by at least two-thirds (2/3) of its total membership, without proxies, and by the consent of the holders of seventy-five (75%) percent in amount of the Cooperative's outstanding bonds, except that the members of the Cooperative may, by the affirmative majority of the votes cast in person or by proxy at any meeting of the members, delegate to the Board of Directors the power and authority (1) to borrow monies from any source and in such amounts as the Board may from time to time determine to and (2) to mortgage or otherwise pledge or encumber any or all of the Cooperative's property or assets as security therefore.

(b) Notwithstanding the foregoing subsection (a) or any other provision of these Bylaws, no sale, lease, lease-sale, exchange or other disposition of all or in excess of ten (10%) percent of the Cooperative's assets (other than merchandise and property which lies within the limits of an incorporated city or town or which in the judgment of the Board of Directors are not necessary or useful in operating the Cooperative) to any other entity shall be authorized except in conformity with the following:

(1) If the Board of Directors looks with favor upon any proposal for such sale, lease, lease-sale, exchange or other disposition, it shall first cause three (3) independent appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange or other disposition and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be designated by a Superior Court Resident Judge for the Judicial District in North Carolina in which the Cooperative's headquarters is located. If such judge refuses to make such designations, they shall be made by the Board of Directors.

(2) If the Board of Directors, after receiving such appraisals (and other terms and conditions which are recommended, if any), determines that the proposal should be submitted for consideration by the members, it shall first give every other electric membership corporation corporately sited and operating in North Carolina (which has not made such an offer for such sale, lease, lease- sale, exchange or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric membership corporations, which notice shall be attached to a copy of the proposal which the Cooperative has already received and a copy of the report(s) of the three (3) appraisers. Such electric membership corporations shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

(3) If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof, which meeting shall not be held sooner than ninety (90) days after the giving of such notice to the members: PROVIDED, that consideration thereof by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is not held sooner than ninety (90) days after the giving of such notice.

(4) Any fifty (50) or more members, by so petitioning the Board not less than thirty (30) days before the day of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

The provisions of this subsection (b) shall not apply to a sale, lease, lease-sale, exchange or other disposition to one or more other electric membership corporations if the substantive effect thereof is to merge or consolidate with such other one or more electric corporations.

SECTION 11.02. Distribution of Surplus Assets on Dissolution. Upon the Cooperative's dissolution, any assets remaining after all liabilities or obligations of the Cooperative have been satisfied and discharged shall, to the extent practicable as determined by the Board of Directors and not inconsistently with the provisions of the third paragraph of Section 9.02 of these Bylaws, be distributed without priority among all persons who are or who have been members of the Cooperative for any period during the six years preceding the filing of the certificate of dissolution, on the basis that their respective patronage during such years bears to the total receipts of the Cooperative for all such years: PROVIDED, HOWEVER, that, if in the judgment of the Board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more non-profit charitable or educational organizations that are exempt from Federal income taxation.

ARTICLE XII 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 following.

ARTICLE XIII

RULES OF ORDER

Parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the members of 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 Certificate of Incorporation or Bylaws.

ARTICLE XIV SEAL

The Cooperative 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."

ARTICLE XV AMENDMENTS

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than a majority of the total directors in office, at any regular or special Board meeting, but only if the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal, or an accurate summary explanation thereof.