



**WAKE ELECTRIC  
MEMBERSHIP CORPORATION**

**BYLAWS**

April 21, 2026

**MISSION**

Wake Electric delivers affordable and reliable power to our membership driven by our commitment to safety, innovation and sustainability. Guided by our cooperative principles, we strive to be an ethical community partner dedicated to enhancing the quality of life for all who live in our service territory

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# BYLAWS OF WAKE ELECTRIC MEMBERSHIP CORPORATION

## **Article I - Definitions**

### **SECTION 1.01 - General Provisions.**

Within these Bylaws of Wake Electric Membership Corporation (hereinafter "Cooperative"), as currently existing or as later amended ("Bylaws"):

1. Unless otherwise provided, words and phrases used in these Bylaws have their customary and ordinary meaning;
2. The singular use of any word includes the plural use, and the plural use of any word includes the singular use;
3. The masculine use of any word includes the feminine and neutral uses, the feminine use of any word includes the masculine and neutral uses, and the neutral use of any word includes the masculine and feminine uses;
4. The present tense of any word includes the past and future tenses, and the future tense of any word includes the present tense; and
5. The words "shall" or "must" indicate a mandatory action or requirement, and the word "may" indicates a permissive action or requirement.

### **SECTION 1.02 - Defined Terms.**

These Bylaws define certain words and phrases within Bylaw sections ("Defined Terms"). Defined Terms are:

1. Capitalized and enclosed within parenthesis and quotation marks following or otherwise located within the section of the Defined Term's definition; and
2. Capitalized when otherwise used in these Bylaws.

Unless the context requires otherwise, Defined Terms have the meaning specified in the appropriate Bylaw section. The following Defined Terms are defined in the following Bylaw sections:

Additional Payments - Section 2.02  
Amended - Section 10.01  
Annual Member Meeting - Section 4.01  
Arbitration – Section 2.13  
Appraisal - Section 9.01  
Assets - Section 9.01  
Ballot – Section 5.03  
Board - Section 2.02  
Board Committees - Section 7.11  
Board Meeting - Section 6.03  
Bylaws - Section 1.01  
Bylaw Provision - Section 10.07

Credentials and Election Committee - Section 4.12  
Candidate Challenge – Section 4.12  
Capital Credits - Section 8.02  
Certificate - Section 2.02  
Close Relative - Section 5.15  
Conflict of Interest Transaction - Section 5.18  
Consolidate or Merge - Section 9.02  
Consolidation or Merger Agreement - Section 9.02  
Cooperative - Section 2.01  
Cooperative Equipment - Section 2.11  
Cooperative Services - Section 2.08  
Defined Terms - Section 1.02  
Director - Section 5.01  
Director Quorum - Section 6.05  
Director Removal Petition - Section 5.08  
Director Term - Section 5.04  
Director Written Consent - Section 6.06  
Directorate Residential Districts – Section 5.06  
Dispute Resolution Section 2.13  
Executive Committee - Section 7.12  
Governing Documents - Section 2.02  
Indemnification Advance - Section 5.16  
Indemnification Director or Officer - Section 5.16  
Indemnification Director Quorum - Section 5.16  
Indemnification Expense - Section 5.16  
Indemnification Individual - Section 5.16  
Indemnification Party - Section 5.16  
Indemnification Proceeding - Section 5.16  
Indemnification Standard of Conduct - Section 5.16  
Joint Member - Section 2.05  
Joint Membership - Section 2.05  
Member - Section 2.04  
Member Candidate Challenge – Section 4.12  
Member Committees - Section 7.11  
Member Demand - Section 4.02  
Member Meeting - Section 4.03  
Member Meeting List - Section 4.05  
Member Petition - Section 5.05

Member Petition Nominations - Section 5.05  
 Member Proxy Appointment - Section 4.10  
 Member Quorum - Section 4.07  
 Member Voting Document - Section 4.08  
 Member Written Consent - Section 4.06  
 Membership – Section 2.04  
 Membership Certificate – Section 2.04  
 Membership List - Section 3.07  
 Membership Obligations - Section 2.02  
 New Entity - Section 9.02  
 Nominating Committee - Section 5.05  
 Nominating Committee Nominations - Section 5.05  
 Non-Member Patron - Section 8.06  
 Non-Member Non-Patron - Section 8.06  
 Notice Record Date – Section 4.04  
 Other Officer - Section 7.01  
 Patron - Section 8.02  
 Petition of Incapacity – Section 5.09  
 Reasonable Reserves - Section 8.07  
 Record Date – Section 4.04  
 Regular Board Meeting - Section 6.01  
 Required Officer - Section 7.01  
 Special Board Meeting - Section 6.02  
 Special Member Meeting - Section 4.02  
 Suspension Reason - Section 3.01  
 Total Membership - Section 4.02  
 Transfer - Section 9.01  
 Voter Eligibility Date – Section 4.04

## **Article II - Cooperative Membership**

### **SECTION 2.01 - Membership Eligibility.**

Any natural person with the capacity to enter legally binding contracts or any legal entity, including any firm, association, corporation, business trust, partnership, federal agency, state or political subdivision thereof, or body politic, shall be eligible to become a Member (hereinafter “Member”) of, and, at one or more premises owned or directly occupied or used by the Member, to receive electric service from Wake Electric Membership Corporation (hereinafter called the “Cooperative”). No person or legal entity shall hold more than one (1) Cooperative Membership.

The existence of a legal entity shall be established by verification with the corporations division of the North Carolina Secretary of State or by presentation of the legal entity’s Federal Tax Identification Number.

### **SECTION 2.02 - Application for Membership; Renewal of Prior Application.**

When a person or legal entity applies to become a Member, the applicant shall agree to purchase electric service from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative’s Certificate of Incorporation (“Certificate”) and Bylaws, and all rules, regulations, rate classifications and rate schedules established pursuant thereto (collectively “Governing Documents”), as all the same then exist or may thereafter be adopted, repealed or amended (the obligations embraced by such agreement being hereinafter called “Membership Obligations”). The patrons of the Cooperative acknowledge that the terms and provisions of the Governing Documents 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. The application shall be made in writing on such form, whether paper or electronic, as is provided or accepted therefor by the Cooperative. With respect to any particular classification of service for which the Board of Directors (“Board”) shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefor by the Cooperative. The Membership application shall be accompanied by any service security deposit, service connection fee, facilities extension fee or contribution in aid of construction that may be required by the Cooperative (hereinafter “Additional Payments”), under generally applicable terms and conditions. Such fees and such Additional Payments, if any, shall be refunded in the event the application is by Board resolution denied.

Any former Member of the Cooperative may again become a Member by either executing a new Membership application or renewing and reactivating any prior Membership application as if the application had been newly made, and paying applicable fees and any outstanding account, including an account pursuant to a former Joint Membership, plus interest thereon at the legal rate as it is established in North Carolina General Statute Section 24-1, or its successor, and as the same is amended from time to time, compounded annually, together with any Additional Payments. Any person who has actually used and benefited from electric service which has been supplied to premises owned or directly occupied or used by the person, for which service there is an outstanding indebtedness remaining due the Cooperative, may become a Member by executing a Membership application, and paying the outstanding indebtedness for the service which was supplied to the premises owned or directly occupied or used by the person.

### **SECTION 2.03 - Service Security Deposit and Facilities Extension Fees; Contributions in Aid of Construction.**

A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative under generally applicable terms and conditions, together with Additional Payments, if any, may be required for each additional service connection.

#### **SECTION 2.04 - Acceptance into Membership.**

Upon complying with the requirements set forth in Section 2.02, any applicant eligible person or entity shall automatically become a Member on the date of the connection for electric service ("Member," holding a "Membership" and being part of the "Membership," as applicable): PROVIDED, that the Cooperative may reject or, deny an application and refuse to furnish service to any prospective Member upon its determination that the prospective Member is not willing or is not able to satisfy and abide by the Membership Obligations or that such application prospective Member should be denied for other good cause.

The certificate of membership ("Membership Certificate") exists upon acceptance into Membership, with applicable data maintained electronically on the Cooperative's systems and records.

#### **SECTION 2.05 - Joint Membership.**

Married spouses, by specifically requesting in writing, may be accepted into Joint Membership or, if one of them is already a Member, may automatically convert such singular Membership into a Joint Membership by jointly executing another membership application. The terms "Member," as used in these Bylaws, shall include a spouse holding a Joint Membership ("Joint Member"), 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:

1. 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;
2. the vote of, or proxy executed by, either or both shall constitute, respectively, one joint vote. Parties to a Joint Membership are responsible for resolving disagreements involving their vote prior to the time of the election;
3. notice to, or waiver of notice signed by, either or both shall constitute, respectively, a joint notice or waiver of notice;
4. termination in any manner of either shall constitute termination of the Joint Membership;
5. either, 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
6. neither will be permitted to have any additional service connections except through their one Joint Membership.

#### **SECTION 2.06 - Conversion of Membership.**

A Membership which is a singular Membership may be converted to a Joint Membership upon the written request of either spouse on a form provided by or otherwise acceptable to the Cooperative. Upon the conversion of a singular Membership to a Joint Membership, such Membership shall be deemed to have always been joint.

#### **SECTION 2.07 - Effect of Death, Legal Separation or Divorce upon a Joint Membership.**

Upon the death of either spouse of a Joint Membership, such Membership shall terminate, the interests and debts of the deceased spouse shall convert to a singular Membership of a deceased former Member and the interests and debts of the surviving spouse shall convert to a surviving singular Membership which shall continue as if said surviving Membership had never been joint. The estate of the deceased spouse shall not be released from any debts due the Cooperative. Pursuant to Section 8.04, the Cooperative may allow for a special retirement of capital credits to the estate of the deceased former Member on a discounted basis.

Upon the legal separation or divorce of the holders of a Joint Membership, unless otherwise agreed by the parties, 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 2.08 - Purchase of and Payment for Electric Service; 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 and any other cooperative services (collectively, "Cooperative Services"), although it cannot and therefore does not guarantee a continuous and uninterrupted supply. Except for Member-owned distributed generation operating in accordance with the Cooperative's Service Rules and Regulations and any other applicable state and/or federal laws, rules and regulations, each Member, for so long as such premises are owned or directly occupied or used by the Member, shall purchase from the Cooperative all electric service to be used on all premises that have been served by the Cooperative pursuant to the Membership. The Member shall pay for all electric service in accordance with the rules, regulations, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric service actually used) established by the Board and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 2.02. Production or use of electric service 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 the Member to the Cooperative as and when they become due and payable. As determined by the Board, Members shall pay interest, compounded periodically, and late payment fees for all amounts owed, but not timely paid, to the Cooperative. When the Member has more than one service connection from the Cooperative, any payment for service by may 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. Each Member agrees that, after written notice and an opportunity to resolve any dispute as to amount, the Cooperative may charge the current accounts with any debts or other obligations owed by the Member to the Cooperative due to any prior Membership, including a prior Joint Membership, or due to any contractual or other obligation to the Cooperative, including any unpaid bill, charge or invoice.

**SECTION 2.09 - Reduction in Cooperative Services.**

As required or allowed by Law, and as determined by the Board, if a Member substantially reduces or ceases the use, receipt or purchase of electricity from the Cooperative, then the Cooperative may charge the Member, and the Member shall pay to the Cooperative, the reasonable costs and expenses incurred by the Cooperative in reliance on prior assurances regarding the anticipated future use of electric service by the Member.

**SECTION 2.10 - 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 VIII of these Bylaws. Notwithstanding the forgoing, however, any amounts paid to the Cooperative due to overbilling by the Cooperative shall be promptly credited to the Member's Account as a payment on amounts currently due, or refunded to the Member.

**SECTION 2.11 - Wiring of Premises; Responsibility Therefor; Load Management Devices; 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 the Membership to become and to remain wired in accordance with the specifications of the North Carolina Fire Insurance Underwriters Association, the National Electric Code, any 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 may, by separate agreement with the Cooperative, permit the installation of load management devices on such appliances and equipment, as is jointly agreed to between the Cooperative and the Member. If the Member agrees to the installation of such devices, the devices may not be permanently disconnected or removed unless the Member in writing revokes the prior authorization, or (2) the Cooperative, its employees, agents, or contractor(s) disconnect or remove the devices. 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 free and safe access thereto 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 best efforts to prevent others from so doing. Each Member shall also provide such protective devices to the 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 or any error occurring in the Cooperative's billing procedure. In no event shall the responsibility of the Cooperative extend beyond the point of delivery as defined in the Cooperative's Service Rules and Regulations, except that the Cooperative shall, 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, and for any damage that may result from a malfunctioning of its load management devices.

No Member shall tamper or interfere with, damage, or impair any Cooperative Equipment. Unless otherwise determined by the Board, the Cooperative owns all Cooperative Equipment. As the Cooperative's bailee of such equipment, each Member shall protect all Cooperative Equipment, and shall install, implement, and maintain any protective device or procedure reasonably required by the Cooperative. Each Member shall comply with any procedure required by the Cooperative regarding the provision of any Cooperative Service to any Member or Person. After providing the Member reasonable notice and an opportunity to comment orally or in writing, the Cooperative may suspend or terminate provision of any Cooperative Services to any Member.

However, upon:

1. Determining that a Member has tampered or interfered with, damaged, or impaired any product, equipment, structure, or facility furnished or used by the Cooperative to provide, monitor, measure, or maintain any Cooperative Service ("Cooperative Equipment");
2. Discovering the unsafe condition of any Cooperative Equipment, or otherwise; or
3. Discovering any imminent hazard or danger posed by any Cooperative Equipment, or otherwise;

then, without providing the Member notice or opportunity to comment, the Cooperative may suspend provision of Cooperative Services to the Member until such equipment is repaired or replaced.

**SECTION 2.12 - Member to Grant Easements to Cooperative and to Participate in, if Required, Cooperative Load Management Programs.**

Each Member shall, at any time requested 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. Such grants shall be provided to facilitate the construction, operation, maintenance or relocation of the Cooperative's electric facilities, to provide service to the granting Member and/or to facilitate the Cooperative's efforts to provide requested or anticipated services to any other existing or future Member or Members. Any crossing fee assessed or charged to the Cooperative shall be recovered from that same Member or entity as a service fee, less any actual and verified monetary costs incurred by the Member or entity in approving the crossing. 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 service or to conduct load research.

### **SECTION 2.13 - Dispute Resolution.**

By applying for service or accepting electric energy from the Cooperative, each Member agrees that any dispute the Member has against the Cooperative arising from or related to current or former Membership in the Cooperative, or the receipt of electric energy from the Cooperative, or arising out of or related in any way to these Bylaws, or any agreements with or services provided by the Cooperative, if not resolved informally by the parties by discussion, negotiation or voluntary mediation, will be subject to mandatory and binding arbitration ("Arbitration") in any case where the entire amount in controversy exceeds the jurisdictional limits for District Court. The Arbitration of such a dispute will be commenced by the Member or former Member sending a demand for Arbitration to the registered office of the Cooperative. The Arbitration shall take place in the county of the Member's service address as listed in the records of the Cooperative. In the absence of other express agreement by the parties, the Arbitration shall be conducted pursuant to the Commercial Arbitration Rules and Arbitration Procedures of the American Arbitration Association in effect at the time of the demand for Arbitration, except in all cases the arbitrator may tax against the Cooperative the arbitrators' expenses and fees, together with other expenses but not including counsel fees, incurred in the conduct of the Arbitration if the arbitrator enters a decision solely against the Cooperative. Each Member further agrees that no class action claim may be brought in such arbitration or in any court. Furthermore, the Cooperative and the Member each waive their respective right to a jury trial in any dispute.

## **Article III - Membership Suspension and Termination**

### **SECTION 3.01 - Suspension by Non-Compliance; Reinstatement.**

Upon failure, after the expiration of the initial time limit prescribed either in a specific notice to the Member 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 Membership Obligations (collectively "Suspension Reason"), a person's Membership shall be suspended; and the person shall not during such suspension be entitled to receive electric service from the Cooperative or to cast a vote at any Member Meeting. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, and/or cessation of any other noncompliance with 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 3.02 - Termination by Expulsion; Renewed Membership.**

Upon failure of a Member suspended for non-compliance to be automatically reinstated to Membership, as provided in Section

3.01, the membership may, without further notice, but only after due hearing if such is requested by the Member, be terminated by the affirmative votes of not less than a majority of the Directors in office at any subsequently held regular or Special Board Meeting. After termination, a former Member may not again become a Member except upon compliance with such additional terms and conditions for a renewed Membership as the Board determines to be reasonably necessary to assure compliance with all Membership Obligations.

### **SECTION 3.03 - Termination by Withdrawal or Resignation.**

A Member may withdraw from Membership upon such generally applicable conditions as the Board shall prescribe and upon either (a) ceasing to own, lease as lessor or lessee, or directly occupy or use all premises being furnished electric service pursuant to the Membership, or (b) abandoning totally and permanently the use of electric service on all such premises.

### **SECTION 3.04 - Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners; Limitations on Transfer of Interests.**

The death of a natural person Member shall automatically terminate the 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 a 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, lease as lessor or lessee, 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 the estate shall be released from any debts then due the Cooperative by the partnership. No natural person's right or privilege associated with Cooperative Membership may be sold, purchased, assigned or otherwise transferred, except in conformity with Section 8.03 of these Bylaws. Except as otherwise provided herein, no legal entity's rights or privileges associated with the Cooperative may be sold, purchased or assigned unless requested in writing in connection with the sale or dissolution of the entity.

### **SECTION 3.05 - Effect of Termination.**

Upon the termination in any manner of a person's Membership, the Member or the estate, as the case may be, shall be entitled to refund of the security deposits, if any, the Member has paid the Cooperative, less any amounts due the Cooperative; but neither the Member nor the estate, as the case may be, shall be released from any debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or termination of a Member, as provided for in Section 3.01 and 3.02, such suspension or termination shall not, unless the Board shall expressly so elect, constitute such release of such person from the Membership Obligations as to entitle the Member to purchase from any other person any electric service for use at the premises to which such service has theretofore been furnished by the Cooperative pursuant to such Membership.

**SECTION 3.06 - Board Acknowledgment of Membership Termination; Acceptance of Members Retroactively.**

Upon the suspension or termination of a person’s Membership for any reason, the Board, as soon as practicable after such event is made known to it, shall by appropriate resolution formally acknowledge Membership 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 and does become a Member 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.

**SECTION 3.07 - Membership List.**

The Cooperative, or the Cooperative’s agent, shall maintain a record of current Members in a form permitting the Cooperative to alphabetically list the names and main addresses of all Members. (“Membership List”).

**Article IV – Meeting of Members**

**SECTION 4.01 – Annual Member Meetings.**

For the purposes of electing Directors, hearing reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the Annual Member Meeting (“Annual Member Meeting”) shall be held on the fourth Friday of the month of March each year, at such place within Durham, Franklin, Granville, Johnston, Nash, Vance, or Wake counties, North Carolina, as shall be designated in the notice of the meeting: PROVIDED, that, for cause sufficient to it, the Board may fix a different date for such Annual Member Meeting not more than one hundred twenty (120) days prior or subsequent to the day otherwise established for such meeting in this Section. In such an event, all other dates throughout these Bylaws may be adjusted accordingly, upon reasonable advanced notice. Failure to hold the Annual Member Meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative. Draft minutes of each Annual Member Meeting shall be posted on the Cooperative’s website at least thirty (30) days prior to the next Annual Member Meeting. Members may submit written comments about the draft minutes at any time prior to approval by the body or, in the absence of an in-person meeting, approval by the Credentials and Election Committee. The Board may also establish and announce other temporary rules, procedures and schedules to account for pandemic, emergency or otherwise unforeseeable circumstances, as determined by the Board, regardless of any other conflicting provisions of these Bylaws.

**SECTION 4.02 – Special Member Meetings.**

A Special Member Meeting may be called by resolution of the Board (“Special Member Meeting”). The Board shall call such a meeting upon written request signed by at least a majority of the Directors or by written request signed by not less than ten percent (10%) of the Cooperative’s total non-suspended Members (“Total Membership”) requesting, and describing the purpose of, a Special Member Meeting (“Member Demand”). The Board shall be solely responsible for determining the place, date and time for any such

special meeting; PROVIDED, however, that such a Special Member Meeting shall be held within one of the counties being served by the Cooperative. Upon the adoption of such a resolution calling a Special Member Meeting, it shall be the duty of the Secretary to cause notice of such meeting to be given as provided in Section 4.03.

**SECTION 4.03 - Notice of Member Meetings.**

The Cooperative shall ensure that notice of an Annual Member Meeting or Special Member Meeting (collectively “Member Meeting”) shall be in accordance with this Section.

The Cooperative shall deliver written notice of the Annual Member Meeting:

- 1. Personally or by mail, which may include electronic mail;
- 2. To all Members entitled to vote at the Annual Member Meeting; and
- 3. Indicating the date, time, location and/or media platform of the meeting, as applicable.

Notice of the Annual Member Meeting shall be mailed or delivered electronically to each member not less than ten (10) days nor more than ninety (90) days before the date of the Annual Member Meeting. Notice shall be accompanied by or include the corresponding Ballot, if applicable.

For Special Member Meetings, notice shall be mailed by first class mail at least ten (10) but not more than forty (40) days prior to the meeting, stating the purpose of, and describing any matter to be considered, or voted or acted upon, at the Special Member Meeting.

Deposit in the United States Mail, with prepaid postage affixed and addressed to a Member at the Member’s address shown on the Membership List, shall constitute a permissible form of notice. Publication of the notice in *Carolina Country*, or other such Member publications shall be an acceptable means of providing the notice.

The inadvertent and unintended failure to send, or of any Member to receive, notice of any Member Meeting shall not affect any action taken at the Member Meeting.

When notifying Members of any Member Meeting, the Cooperative shall include notice of any matter which a Member may raise or discuss, and intends to raise or discuss, at the Member Meeting if:

- 1. Requested, in writing, by a percentage of the Total Membership entitled to call a Special Member Meeting; and
- 2. The Cooperative receives the written request at least thirty (30) days prior to delivering notice of the Member Meeting.

Unless otherwise provided in these Bylaws, the Cooperative shall notify Members of a Member Meeting adjourned to another date, time, or location unless:

- 1. The Member Meeting is adjourned to another date occurring within one hundred twenty (120) days following the Record Date for the original Member Meeting; and

2. The new date, time, or location is announced at the Member Meeting prior to adjournment.

Members may only vote upon matters described in the notice of the Member Meeting.

#### **SECTION 4.04 –Record Date.**

1. The Record Date for the purpose of determining the Members entitled to notice of a Member Meeting (Notice Record Date) shall not be more than ninety (90) days preceding the date of the Member Meeting. A determination of Members entitled to notice of a Member Meeting remains effective for any adjournment of the meeting unless the Board fixes a new date for determining the right to notice, which it shall do if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.
2. The Record Date for the purpose of determining the Members entitled to vote in the election of Directors (Voter Eligibility Date) shall not be more than thirty-one (31) days preceding the opening of Director elections.

#### **SECTION 4.05 - Member Meeting List.**

After fixing the Notice Record Date and Voter Eligibility Date, and through the duration of the Member Meeting or any adjournment thereof, the Cooperative shall prepare, update, and maintain an alphabetical list (“Member Meeting List”) indicating (i) the name and address of each current Member and (ii) specifying those Members eligible to vote.

Beginning on the Voter Eligibility Date and continuing through the duration of the Member Meeting or any adjournment, and in order to facilitate communications among Members concerning voting and the Member Meeting, the Cooperative shall make the Member Meeting List available for inspection by any Member. Said list will be maintained at the Cooperative’s principal office, or at a reasonable place identified in the notice of the Member Meeting and located in the city in which the Member Meeting will be held.

Upon written demand and at a reasonable time during the period a Member Meeting List is available for inspection:

1. A Member, Member’s agent, or Member’s attorney may inspect the Member Meeting List and copy the Member Meeting List at the Member’s expense; or
2. If reasonable, as determined by the Cooperative, and upon paying the Cooperative a reasonable charge determined by the Cooperative covering the Cooperative’s labor and material cost of copying the Member Meeting List, the Cooperative shall provide a copy of the Member Meeting List to the Member, Member’s agent, or Member’s attorney if:
  - a. The written demand is made in good faith and according to applicable policy; and
  - b. The Member Meeting List are not used to solicit money or property unless the money or property is used solely to solicit Member votes at the Member Meeting; and

- c. The Member Meeting List are not used for any commercial purpose, or sold to, or purchased by, any person or entity.

The Cooperative shall also make the Member Meeting List available at the Member Meeting. Any Member, Member’s agent, or Member’s attorney may inspect the Meeting Lists at any time during the Member Meeting or any adjournment thereof.

Before acting as allowed under this Bylaw, a Member’s agent or attorney must provide written evidence satisfactory to the Cooperative that the Member properly authorized the agent or attorney to act on the Member’s behalf.

Refusal or failure to prepare or make available the Member Meeting List does not affect the validity of action taken at the meeting.

#### **SECTION 4.06 - Member Action by Written Consent.**

Any action required or permitted to be taken or approved by a majority of all Members may be taken by written consent without a Member Meeting if the written consent satisfies the following standards:

1. Contains the printed names and original dated signatures of all Members entitled to vote on the action; and
2. Describes the action in detail; and
3. Is delivered to the Cooperative for inclusion in the minutes or filing with the corporate records.

(“Member Written Consent”). Any material soliciting approval of any action by Member Written Consent must contain, or be accompanied by, a copy or summary of the proposed action.

A Member may withdraw the Member’s consent any time prior to the Cooperative receiving the Member Written Consent. A Member’s consent may not be procured through fraud or other improper means, and any Member consent procured through fraud or other improper means is invalid. A Member Written Consent has the effect of a vote taken at a Member Meeting, and may be so described in any document.

#### **SECTION 4.07 - Member Quorum.**

Registration in person or online, or otherwise casting a valid vote, of or by at least one hundred (100) members, shall constitute a Member Quorum (“Member Quorum”). If less than a Member Quorum is present at any meeting, the meeting shall be adjourned until the next year. At all meetings of the Members, whether a Member 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, if allowed by Section 4.10, by proxy.

#### **SECTION 4.08 - Voting.**

1. Except as provided in Section 4.04, each Member or their spouse who is not suspended or terminated, as provided for in Article III, shall be entitled to one vote and no more upon each matter submitted to a vote at any Member Meeting. A non-Member spouse may be required to present satisfactory proof of the marital relationship (e.g., same last name and same address on

a valid ID) prior to voting the Membership interest. The Member spouse's proxy is not required.

2. For voting by Members other than Members who are natural persons, the Cooperative may require, prior to or upon registration at each Member Meeting, a notarized and otherwise satisfactory resolution of the entity ("Member Voting Document") entitling the person presenting the same to vote. A person entitled to cast the vote of such an entity, who is also personally a Member, may vote the personal Membership as well as that of the represented entity.
3. At all meetings of the Members and all elections of Directors, all questions shall be decided by a majority of the Members voting thereon, except as otherwise provided by law or by the Cooperative's Certificate of Incorporation or these Bylaws.
4. Members shall be afforded a period of at least (21) days from the final voting deadline to submit any mail or remote electronic ballot, if applicable.

#### **SECTION 4.09 - Accepting and Rejecting Notarized Member Voting Documents.**

Regarding any Member Voting, and subject to the authority vested in the Credentials and Elections Committee with respect to questions involving the election of Directors, the following rules shall apply:

1. Acceptance. Without limiting other discretionary proof requirements, the Cooperative may accept, and give effect to, the Member Voting Document if the name signed on the Member Voting Document corresponds to a Member's name, and the Cooperative acts in good faith; or the Cooperative reasonably believes the Member Voting Document is valid and authorized.
2. Rejection. The Cooperative may reject, and not give effect to, the Member Voting Document if the Cooperative acts in good faith; and has reasonable basis for doubting the validity of the signature on the Member Voting Document; or the signatory's authority to sign on behalf of the Member.
3. Liability. Neither the Cooperative, nor any Cooperative Member, Director, Officer, employee, or agent, is liable to any Member for accepting or rejecting a Member Voting Document as provided in this Bylaw.

#### **SECTION 4.10 - Proxies.**

1. Proxy voting shall be allowed only on matters that require the affirmative votes of a clear majority of all the Cooperative's entire membership. Accordingly, proxy voting is not allowed on any other matters, including, but not limited to, Director elections under Section 5.03.
  - a. When allowed, a proxy vote shall be sufficient if it (a) is registered with the Cooperative at its principal office in Wake Forest, North Carolina, during office hours on or before the third business day 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, and alternative holder thereof and/or conferring upon the holder(s) full power of substitution), which holder(s) (or substitutes, 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 which is not a natural person need not personally 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 ("Member Proxy Appointment").

- b. Any mailed proxies not otherwise dated shall be deemed dated as postmarked if the postmark is satisfactorily evidenced.
- c. Any proxy valid at any meeting shall be valid at any adjournment of that same meeting 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.
- d. 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.
- e. 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 any proxy theretofore executed for such meeting or for such adjournment thereof, as the case may be.
- f. If two or more proxies executed by one Member carry the same date, none of such proxies shall be valid.
- g. Notwithstanding a Member's execution of a proxy, the Member's personal presence at any meeting or adjournment thereof shall revoke such proxy, and the Member shall be entitled to vote in the same manner and with the same effect as if the Member had not executed a proxy.

2. Except as provided above, proxy voting is not allowed on any other matters, including, but not limited to, Director elections under Section 5.03.

#### **SECTION 4.11 - Order of Business.**

The order of business at the Annual Member Meeting and, insofar as practicable or desirable, at all other meetings of the Members shall be essentially as follows:

1. report on the number of registered Members in order to determine the existence of a Member Quorum;
2. reading of the notice of the meeting and proof of the due delivery thereof, or of the waiver or waivers of

- notice of the meeting, as the case may be;
- 3. report on and/or approval of minutes of previous meetings and taking of any necessary action thereon;
- 4. presentation and consideration of report of officers, Directors and committees;
- 5. report on election results and inauguration of Directors;
- 6. unfinished business;
- 7. new business; and
- 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; PROVIDED, that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a Member Quorum is first established.

**SECTION 4.12 - Credentials and Election Committee.**

The Board shall, no more than one hundred eighty (180) days before the proposed opening of any director elections, appoint a Credentials and Election Committee ("C & E Committee") consisting of an uneven number of Cooperative Members that is sufficient in number, but at least five (5), but no more than fifteen (15), to carry out the responsibilities of the Committee. Committee members shall not be members of the Nominating Committee or existing Cooperative or subsidiary employees, agents, officers, Directors or known candidates for Director, or the Close Relatives (as defined elsewhere in these Bylaws) or members of the same household of persons in the excluded categories. The Committee shall elect its own Chair, Vice Chair, and Secretary, prior to the Annual Member Meeting. Acting within the parameters of these Bylaws, it shall be the responsibility of the Committee:

- 1. to review and approve the dates for the opening and closing of Director elections, including the deadline for receiving votes in accordance with Section 4.04.
- 2. if an in-person meeting is not being held, and after considering any timely member comments, to review and approve the minutes of the prior Annual Member Meeting and report thereon at the next Annual Member Meeting.
- 3. to review and approve the method and manner of balloting for the election of Directors;
- 4. to review and approve the adequate delivery of Ballots;
- 5. to review and approve the Committee's method of receiving the Ballots from the Members, including receipt by its designated agent;
- 6. to determine and rule upon all questions that may arise with respect to the eligibility of a nominee for election to the Board of Directors;
- 7. to pass upon all questions that may arise with respect to a Member's eligibility to vote;

- 8. to supervise vote recounts when a request for recount is made and authorized as set out in this section, or in the case votes were originally counted by a third-party service or firm, to provide for a recount which may be conducted at any office or customary business location of said third-party service or firm;
- 9. to rule upon the validity and effect of any Ballots or other vote irregularly or indecisively marked or cast;
- 10. 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 protests and objections as allowed below, and except as reserved to the Nominating Committee, any such questions arising under or relating to Sections 5.02 through 5.08 of these Bylaws;
- 11. In the absence of a contested election and an in-person Annual Member Meeting, to represent the Members in electing the Directors by acclamation on motion and second of the committee; and
- 12. To comply with other applicable provisions of these Bylaws.

Subject to retaining its right of oversight or review, the C&E Committee may delegate its functions to a third-party vendor.

In the event that a candidate files a request for a recount, such filing must be made by the candidate in the office of the Chief Executive Officer of the Cooperative within three (3) business days following the announcement of election results. Upon such filing, the Committee shall be reconvened, not less than seven (7) days or more than thirty (30) days after such request is filed, for the purpose of supervising the recount of votes.

Candidates may only request a re-count of the specific race in which their candidacy was at issue and then only if (a) the margin of the contested race was less than 2% of the sum of the total number of valid Ballots cast in the challenging candidate's race, and (b) a re-count has not already occurred at the direction of the Committee. Re-counts at a remote location shall be permitted if an independent third party was retained to count Ballots. The Committee's decision, as reflected by a majority of at least three (3) Committee members actually present and voting, shall be final on all recount matters covered by this Section. As applicable, the Committee may delegate recount responsibility to the third-party vendor.

In the event that a candidate files a protest or objection to the conduct of the election ("Candidate Challenge"), such filing must be made by the candidate in the office of the Chief Executive Officer of the Cooperative within three (3) business days following the adjournment of the subject meeting. Candidates may only file protests and objections on their own behalf and may not protest or object to the results of any other candidates' races. The concerns of any candidate who does not file protests and objections as provided for herein shall be deemed waived. The Committee shall be reconvened, not less than seven (7) days or more than thirty (30) days after such protest or objection is filed. It shall be the duty of the Committee to rule upon any protest or objection filed with respect to any election. The Committee shall hear such evidence as is presented by the protesting or objecting candidate(s), their counsel, or both. The Cooperative shall provide legal counsel for the Committee, if requested. The Committee, by a majority of those actually present and voting, shall within a reasonable time but not later than thirty (30) days after such hearing, issue a decision on whether to:

1. affirm the results of the election;
2. correct the results of the election; or
3. set aside the election if the Committee determines that there exists a reasonable likelihood that the results of the election could be different, that a re-run election would likely be a better reflection of the Membership's interest, and that a re-run election is otherwise consistent with the best interests of the Membership in its entirety.

The decision of the Committee shall be final.

As determined by the Board, and as allowed by the Governing Documents, the Cooperative may reasonably compensate or reimburse Credentials and Election Committee Members.

## **Article V - Directors**

### **SECTION 5.01 - Number and General Powers.**

The Cooperative shall be governed by a Board of nine (9) Directors ("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 these Bylaws reserved to the Members, or which are otherwise delegated to management.

### **SECTION 5.02 - Qualifications.**

Any Director or Director candidate must comply with this Bylaw.

1. General Director Qualifications. A Director or Director candidate must:
  - a. Be a natural person;
  - b. Have the capacity to enter legally binding contracts;
  - c. While a Director and during the one hundred eighty (180) days immediately preceding the Director election, maintain their primary residential abode within the boundaries of the applicable Directorate Residential District, as applicable;
  - d. While a Director, and during the twenty-five (25) years immediately prior to becoming a Director, not:
    - i. Be, nor have been, convicted of a felony;
    - ii. Plead, nor have pled, guilty to a felony; or
    - iii. Have directed discriminatory conduct on the basis of race, color, sex, national origin, age, or disability toward any employee or official of the Cooperative or engaged in criminal conduct against the Cooperative.
2. Membership Qualifications. While a Director, and during the one hundred eighty (180) days immediately preceding the Director election, a Director or Director candidate must:

- a. Be a Member using, receiving, and purchasing electric service from the Cooperative at the Director's or Director candidate's primary residence; and
  - b. Be current in all respects regarding payment to the Cooperative of Additional Payments and obligations, and not be subject to disconnection for non-payment of electric service at the Director or Director candidate's primary residence.
3. Conflict of Interest Disqualification. A Director or Director candidate must not be or have been:
    - a. A spouse or other Close Relative of any existing Director, Cooperative employee, or Cooperative subsidiary employee;
    - b. Employed by, materially affiliated with, or share a material financial interest with, any other Director;
    - c. Receiving a non-vested benefit derived from prior employment with the cooperative;
    - d. Previously subject to an involuntary separation of employment from the Cooperative or any Cooperative subsidiary;
    - e. Employed as an employee of the Cooperative or any subsidiary or been engaged contractually (as a principal or primary owner, partner, or majority shareholder) of a firm that contracts with the Cooperative or any subsidiary as a prime or sub-contractor, at any time within the ten (10) years prior to becoming a Director or candidate for election to a Director seat;
    - f. Engaged in, nor employed by, materially affiliated with, or have a material financial interest in, any individual or entity:
      - i. Directly and substantially competing with the Cooperative or any Cooperative subsidiary; or
      - ii. Possessing a substantial conflict of interest with the Cooperative or any Cooperative subsidiary.
  4. Continuing Qualifications. Only natural persons complying with the General Director Qualifications and the Membership Qualifications, and not disqualified due to a Conflict of Interest Disqualification may serve, or continue to serve, as a Director.
    - a. Within three (3) years after becoming a Director, and unless excused by the Board for good cause, a Director is expected to receive a Director's Certificate or similar certification of education and training as specified by the Board. However, for Directors already elected to the Board as of January 1, 2001, this requirement concerning "Credentialed Cooperative Director" certification shall apply three (3) years after the date of the adoption of this Bylaw provision.

- b. Unless excused for good cause by the Board or Members, a Director shall miss no more than 3 regular meetings in any twelve (12) month period;
- c. Subject to the provisions Section 5.09, Directors shall maintain the physical and mental capacity to effectively conduct and satisfy the essential duties of the position, with or without a reasonable accommodation;
- d. Directors shall refrain from the commission of any act of malfeasance; and
- e. Directors shall comply with any other reasonable qualifications determined by the Board.

### **SECTION 5.03 – Election and Forms of Ballots.**

Except as provided below, at each Annual Member Meeting, any election of Directors shall be conducted by written or electronic ballot, which may include voting via United States mail, voting through an online service or application, or via some other forms of remote electronic voting (“Ballot”). Each Member entitled to vote in the election of Directors shall be provided access to a Ballot and notified of the date and time by which the Credentials and Election Committee or its designated agent must receive the completed Ballot.

- a. Members shall cast their vote for Directors using and appropriately transmitting the Ballots as the exclusive method of balloting. Regardless of whether an in-person meeting is held, no in-person balloting will occur at the premises of the Annual Member Meeting.
- b. Ballots received prior to 5:00 PM on the final date for voting as established by the Credentials and Elections Committee shall count in determining whether a Member Quorum exists at the Member Meeting and/or for the election of Directors. Ballots received after that date and time shall be void for all purposes.
- c. As determined by the Credentials and Elections Committee, a Ballot procured or cast through fraud or other improper means is void.
- d. The Cooperative’s inadvertent failure to send, or a Member’s failure to receive, a Ballot does not affect a vote or action taken by Ballot.

Directors shall be elected by a plurality vote of the Members. Drawing by lot shall resolve, where necessary, any tie votes.

To spare the Cooperative from incurring unnecessary expenses, the Cooperative shall dispense with balloting for uncontested elections. Such elections shall instead be conducted by acclamation on motion and second of the Members during an in-person meeting or of the Credentials and Elections committee, at any time, if the meeting is or will be conducted remotely or in the event of any irregularity in procedure or otherwise.

### **SECTION 5.04 - Tenure.**

Directors shall be nominated and elected such that three (3) shall be elected for three (3) year terms at an Annual Member Meeting (“Director Term”). Upon their election, Directors shall, subject to the provisions of these Bylaws with respect to the removal of Directors, serve until the Annual Member Meeting of the year in which their terms expire or until their successors shall have been elected and shall have qualified. If for any reason an election of Directors shall not be held at an Annual Member Meeting 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 Member Meeting. 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 Annual Member Meeting at which a Member Quorum is present.

### **SECTION 5.05 - Nominations.**

1. Nominations by Committee. It shall be the duty of the Board to appoint at least three (3) but no more than five (5) Cooperative Members to serve on a Nominating Committee (“Nominating Committee”) for each district from which a Director shall be nominated. Neither employees of the Cooperative or any Cooperative subsidiary, incumbent Directors, Close Relatives of such Directors, nor known candidates to become Directors, shall be eligible to serve on the Nominating Committee. Within five (5) business days of making nomination selections, the Committee shall prepare and post at the principal office of the Cooperative a list of nominations for Directors (“Nominating Committee Nomination”). The list may include a greater number of nominees than are to be elected. As determined by the Board, and as allowed by the Governing Documents, the Cooperative may reasonably compensate or reimburse Nominating Committee Members.
2. Member Petition Nominations. Without regard to the actions of the Nominating Committee, Cooperative Members are also entitled to nominate additional individuals to run for election for any Director position for which Members are scheduled to vote at any Annual Member Meeting (“Member Petition Nominations”). The Cooperative shall establish and provide reasonable advanced notice of a deadline for Member Petition Nominations that is no more than ninety (90) days prior to the opening of Director elections. Members make such Member Petition Nominations by delivering to the Cooperative a written petition (“Member Petition”) for each Member Petition Nomination:
  - a. Listing the name of the Member Petition Nominee;
  - b. Indicating the Directorate District from which the Member Petition Nominee will run; and
  - c. Containing the printed names, main service addresses (as they appear on the Members’ account), telephone numbers, and original dated signatures, of at least fifty (50) Members. Each Member’s signature must be presented in the same name as the Member is billed by the Cooperative. The

signature must be dated within ninety (90) days of the election.

After the Credentials and Election Committee verifies that a Member Petition complies with this Bylaw, the Cooperative shall post the Member Petition Nominations in approximately the same location as the Nominating Committee Nominations.

Nominations for Directors shall be made only by the Nominating Committee or by written Member nominations as set forth herein. All nominations, however made, shall specify the nominee's district. Except as otherwise provided herein, write in candidates and/or floor nominees are not eligible for election to the Board.

Failure to comply with the provisions of this Section shall not affect the validity of any action taken by the Board after its election.

### **SECTION 5.06 – Directorate Districts.**

The territory served by the Cooperative shall be divided into a total of nine (9) Districts 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 an at-large district that includes the Cooperative's entire service area.

**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 and 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 County east of U.S. Highway 1-A; west of N.C. 96; west of U.S. Highway 401; and north of Rogers Road.

**District Seven** is that portion of the Cooperative's service area located in Granville, Franklin and Wake Counties east of N.C. Highway 50; south of N.C. Highway 56; and west of U.S. 401; east of N.C. Highway 96; and following the Wake/Franklin and Wake/Granville County lines.

**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.

The Directorate Residential Districts (Districts 4-9) are intended to disperse Directors throughout the service territory, without an expectation or obligation of equal Member populations.

All Directors shall represent the best interests of the Cooperative as a whole, without favor or preference toward any Residential District. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the board of directors. The Board may adjust District boundaries from time to time in the interests of overall equity among Members.

### **SECTION 5.07 - Voting for Directors.**

All Director elections and all Member voting are held and conducted on a Cooperative-wide basis. Members are entitled, but not required, to vote for as many candidates in each election as there are contested seats in that race. The candidate(s) receiving the highest number of votes shall prevail. Cumulative voting is not allowed. Attempts to attribute more than one vote to a single candidate shall be counted as a single vote for that candidate but shall not otherwise spoil the Ballot. Members may not change the vote of their first-recorded Ballot regardless of order of receipt.

### **SECTION 5.08 - Removal of Directors by Members.**

1. Any Member may seek the removal of a Director for cause by filing with the Secretary a petition setting forth the grounds for removal signed by at least ten percent (10%) of the Cooperative's Members ("Director Removal Petition"). The petition shall also request the Board to call a Special Member Meeting by resolution under Section 4.02 for the purpose of considering the stated charges. A separate petition shall be filed for each Director sought to be removed. Such Director shall be informed in writing of the request for removal and stated charges at least twenty (20) days prior to the Member Meeting at which the charges are to be considered. Such Director shall have an opportunity at the meeting to be heard in person and be represented by counsel, and to present evidence in respect of the charges; the Member or Members bringing the charges against such Director shall have the same opportunity. The question of the removal of such Director shall be considered and voted upon at such meeting. The removal of such Director requires the vote in favor of removal by a majority of the Members present at such meeting. Any vacancy created by such removal may be filled by the vote of a majority of the Members present at such meeting without compliance with the provisions of Section 5.05 regarding nominations;

PROVIDED, that the newly elected Director shall be a resident of the same District as was the Director whose office the Director succeeds, shall meet all Director Qualifications under Section 5.02, and unless thereafter elected, shall serve only for the remaining term of the replaced Director.

2. As used in the foregoing subsection (1), the term "for cause" shall mean:
  - a. Substantive violation of the Cooperative's Certificate of Incorporation or these Bylaws;
  - b. Final conviction of a felony;
  - c. Voting on matters coming before the Board in which the Director has a financial interest adverse to that of the Cooperative; or
  - d. Gross abuse of authority or discretion in the discharge of a Director's duties to the

Cooperative upon a determination of such by a final judgment in a declaratory judgment action of the Superior Court in the Judicial District wherein the Cooperative has its principal office.

### **SECTION 5.09 - Removal of Directors by Board.**

1. General. Upon a Director's loss of Membership status under Article III of these Bylaws or loss of eligibility under Section 5.02, such Director's seat shall be declared vacant by the remaining Members of the Board and such vacancy shall be filled in accordance with Section 5.10.
2. Incapacity. A majority of Directors may file a Petition of Incapacity with the Secretary against a Director who seemingly lacks the physical or mental capacity to continue service and perform the essential functions of the position of Director. Such Petition must be supported by specific allegations outlining the Director's failure to perform essential Director functions. Such Director shall be informed in writing of the Petition at least ten (10) days prior to the meeting of the Directors at which the Petition shall be considered and the Director shall have the opportunity to be heard in person or by counsel in regard to the allegations raised in the Petition. After a full and complete hearing, a majority of the remaining Directors in office may vote to submit the question of the Director's continuing capacity to a Medical Review Board consisting of three physicians – one selected by the Cooperative, one by the Director at issue (if the Director at issue is unable or unwilling to appoint a member to the Medical Review Board, the Director's personal physician will make the appointment), and the third selected by agreement of the first two physicians. A majority of the Medical Review Board shall thereafter certify the Director's capacity or incapacity to continue service. If the latter is certified, the Director's Directorate shall be declared vacant.
3. Malfeasance. Any Director may bring charges of malfeasance against a Director by filing with the Secretary such charges in writing, setting forth the specifics and particular act or acts alleged to have been committed by the Director, together with the approximate date or dates of such acts and brief summary of the evidence in support thereof. Such Director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the Directors at which the charges are to be considered and shall have the opportunity at such meeting to be heard in person or by counsel, to examine any witnesses or other evidence, and to present witnesses or any evidence in support of the challenged Director's position. After the hearing is complete, the question of the removal of such Director shall be considered and voted upon by the other Directors. A majority of the other Directors in office shall be required for the removal of such Director.

### **SECTION 5.10 - Vacancies.**

Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Directors by the Members or the Board, a vacancy occurring in the Board may be filled by the affirmative vote of a majority of the remaining Directors. If the Board declines to take action to fill the seat, then any qualified

Member may submit a timely Member Petition Nomination to stand for election at the next Annual Member Meeting to serve for the remainder of the term, or if the seat is otherwise scheduled for election, the subsequent term.

A vacancy exists under this Section upon the death or resignation of a Director, upon a Director's ceasing to be a Member of the Cooperative, upon a loss of eligibility under Section 5.02, upon removal under the provisions of Section 5.09, or upon an increase in the number of Directors.

Directors who are appointed or elected under this Section must satisfy all qualification standards under Section 5.02.

### **SECTION 5.11 - Director Compensation.**

The Board shall determine the manner and method of any reasonable Director reimbursement and compensation. Such compensation may include paying Directors a stipend and/or a fixed per diem fee, plus documented business expenses, as determined in the Board's reasonable discretion, for attending or attending to:

1. The ongoing needs of the Cooperative, duties of the position, and communications with Members;
2. Board Meetings (including not more than three (3) make-up sessions in a twelve (12)-month period);
3. Committee meetings held on days other than the regularly-scheduled day for a Board Meeting;
4. Functions involving the Cooperative;
5. Meeting of State, National or other Cooperative or industry organizations, or
6. Function reasonably enhancing the Director's ability to serve as a Director.

Fixed per diems shall only be available for attendance or participation in Board-authorized functions. No Director shall receive compensation for serving the Cooperative in any other capacity. No payments shall be made to former Directors.

### **SECTION 5.12 - Director Conduct.**

Unless modified or prohibited by Law:

1. Director Standard of Conduct. A Director shall discharge the Director's duties, including duties as a Board Committee Member:
  - a. In good faith;
  - b. With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
  - c. In a manner the Director reasonably believes to be in the Cooperative's best interests.
2. 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:

- a. One (1) or more Cooperative Officers or employees whom the Director reasonably believes to be reliable and competent in the matters prepared or presented;
  - b. Legal counsel, public accountants, or other individuals regarding matters the Director reasonably believes are within the individual's professional or expert competence; and
  - c. If the Director reasonably believes a Board Committee of which the Director is not a Member merits confidence, then the Board Committee regarding matters within the Board Committee's jurisdiction.
3. Non-Interference with Cooperative Management and Operations. Directors shall specifically refrain from:
- a. interfering with, or endeavoring to exercise undue influence upon, the General Manager and Chief Executive Officer (CEO) or any other employee or agent of the Cooperative in the performance of duties;
  - b. comporting themselves in any manner as to encourage or promote insubordination on the part of employees of the Cooperative or to undermine proper support of, and respect for, the General Manager and Chief Executive Officer (CEO), or any other employee or agent of the Cooperative;
  - c. directing or attempting to direct employees or contractors, or otherwise interfering in operational matters;
  - d. interfering in or attempting to interfere in personnel matters (including hiring, firing, disciplinary or individual compensation issues);
  - e. attempting to adjust individual member concerns on behalf of the Cooperative;
  - f. reviewing individualized confidential member data or individual confidential account information; or
  - g. attempting to influence vendor selections or interfere with equipment specifications and bidding procedures.
4. Director Liability. If a Director complies with this Bylaw, then the Director is not liable to the Cooperative, any Member, or any other individual or entity for action taken, or not taken, as a Director. Directors are not trustees over any property held or administered by the Cooperative.

**SECTION 5.13 - Policies, Rules, Regulations, Rate Schedules and Contracts.**

In the exercise of general governance authority, the Board shall have power to make, adopt, amend, abolish and promulgate such policies, 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 regulation of the affairs of the Cooperative. Authority over management, personnel and operational matters, including related policies, is delegated to the General Manager and Chief Executive Officer (CEO).

**SECTION 5.14 - Accounting System and Reports.**

The Board 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. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

**SECTION 5.15 - "Close Relative" Defined.**

As used in these Bylaws, the term "Close Relative" means an individual who is a spouse, parent (including step and in-law), grandparent (including step and in-law), child (including step and in-law), grandchild (including step and in-law), sibling (including step and in-law), aunt, uncle, nephew, or niece of the principal person. The term also includes any individual who resides in the same household as the principal person, regardless of relationship. ("Close Relative").

**SECTION 5.16 - Indemnification of Directors, Officers and Employees.**

As allowed by Law and the Certificate, and as determined by the Board:

- 1. Indemnification Director or Officer. The Cooperative shall indemnify:
  - a. an individual who is or was a Director or Officer;
  - b. an individual who, while a Director or Officer is or was serving, at the Cooperative's request, as a director, officer, partner, trustee, employee or agent of another foreign or domestic business or nonprofit corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; or
  - c. the estate or personal representative of such an individual (collectively, "Indemnification Director or Officer")

who was wholly successful, on the merits or otherwise, in defending any threatened, pending, or completed action, suit, or proceeding whether civil, criminal, administrative, or investigative, and whether formal or informal ("Indemnification Proceeding") to which the Indemnification Director or Officer was, is, or is threatened to be made a named defendant or respondent ("Indemnification Party") because the Indemnification Director or Officer is or was a Director or Officer.

This indemnification is against reasonable expenses, including counsel fees, ("Indemnification Expenses") actually incurred by the

Indemnification Director or Officer in connection with the Indemnification Proceeding.

(collectively, "Indemnification Standard of Conduct").

2. Indemnification Individual.

a. The Cooperative shall indemnify an individual who is or was a Cooperative employee or agent ("Indemnification Individual"), and was made, because the Indemnification Individual is or was a Cooperative employee or agent, an Indemnification Party to any Indemnification Proceeding other than an Indemnification Proceeding:

- i. By or in the right of the Cooperative in which the Indemnification Individual was adjudged liable to the Cooperative; or
- ii. Charging, and in which the Indemnification Individual was adjudged liable for receiving improper personal benefit to the Indemnification Individual, whether or not involving action in the Indemnification Individual's official capacity.

b. This indemnification is against reasonable Indemnification Expenses incurred in connection with an Indemnification Proceeding by or in the right of the Cooperative, or against the obligation to pay a judgment, settlement, penalty, fine or reasonable expense, including counsel fees, actually incurred in connection with any other Indemnification Proceeding, if the Indemnification Individual:

- i. acted in good faith;
- ii. reasonably believed:
  - 1. for conduct as a Cooperative employee or agent, that the Indemnification Individual's conduct was in the Cooperative's best interest; and
  - 2. for all other conduct, that the Indemnification Individual's conduct was not opposed to the Cooperative's best interests; and
- iii. in the case of any criminal Indemnification Proceeding, had no reasonable cause to believe the Indemnification Individual's conduct was unlawful

c. To provide this indemnification, a majority vote of the Director Quorum, excluding Directors currently Indemnification Parties to the Indemnification Proceeding ("Indemnification Director Quorum"), must determine:

- i. that the Indemnification Individual met the Indemnification Standard of Conduct; and
- ii. incurred reasonable Indemnification Expenses.

3. Advance for Expenses. Prior to the final disposition of an Indemnification Proceeding, the Cooperative may pay for or reimburse the reasonable Indemnification Expenses incurred by an Indemnification Individual who is an Indemnification Party to the Indemnification Proceeding ("Indemnification Advance") if:

a. the Indemnification Individual furnishes the Cooperative a written:

- i. affirmation of the Indemnification Individual's good faith belief that the Indemnification Individual has met the Indemnification Standard of Conduct; and
- ii. unlimited general obligation of the Indemnification Individual which need not be secured, may be accepted without reference to financial ability to repay, may be executed personally or on the Indemnification Individual's behalf, and obligates the Indemnification Individual to repay the Indemnification Advance if a majority of the Indemnification Director Quorum ultimately determines that the Indemnification Individual did not meet the Indemnification Standard of Conduct; and

b. a majority of the Indemnification Director Quorum determines that the facts then known to them would not preclude Indemnification for the Indemnification Individual under this Bylaw.

**SECTION 5.17 - 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:

- 1. Liability, including judgment, settlement, or otherwise; or

2. 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.

### **SECTION 5.18 - Conflict of Interest Transaction.**

A Conflict of Interest Transaction is a transaction with the Cooperative in which a Director has a direct or indirect interest ("Conflict of Interest Transaction").

1. **Indirect Interest.** A Director has an indirect interest in a Conflict of Interest Transaction if at least one (1) party to the transaction is another entity:
  - a. In which the Director or Close Relative of a Director has a material financial interest or is a general partner; or
  - b. Of which the Director or Close Relative is a Director, officer, or trustee.
2. **Approval of Conflict of Interest Transaction.** Regardless of the presence or vote of a Director interested in a Conflict of Interest Transaction, a Conflict of Interest Transaction may be approved, and any Director Quorum satisfied, if the Conflict of Interest Transaction's material facts, and the Director's interest, are:
  - a. Disclosed or known to the Board or Board Committee, and a majority of more than one (1) Director or Board Committee Member with no interest in the Conflict of Interest Transaction votes to approve the Conflict of Interest Transaction; or
  - b. Disclosed or known to the Members, and a majority of votes cast by Members not voting under the control of a Director or entity interested in the Conflict of Interest Transaction approves the Conflict of Interest Transaction.
3. **Fair Conflict of Interest Transaction.** A Conflict of Interest Transaction that is fair when entered is neither:
  - a. Voidable; nor
  - b. The basis for imposing liability on a Director interested in the Conflict of Interest Transaction.
4. **Bidding.** A director or director's company may be allowed to sell materials, supplies, equipment, or vehicles to the Cooperative only if at least three bids are submitted to the Cooperative for any such sale, and only if the director or the Director's business has submitted the lowest bid. Separate Board action shall not be required to approve transactions in compliance with this clause.

## **Article VI - Meetings of Directors**

### **SECTION 6.01 - Regular Meetings.**

A Regular Board Meeting shall be held not less frequently than bi-monthly at such date, time and place within the Cooperative's service territory as the Board may provide by resolution. Except when business to be transacted thereat shall require special notice, such regular monthly or bi-monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof; PROVIDED, 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.

### **SECTION 6.02 - Special Meetings.**

Special meetings of the Board ("Special Board Meeting") 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 6.03. The Board, the President or Directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties in which the Cooperative operates unless all Directors consent to its being held in some other place in North Carolina or elsewhere. Special Board Meetings may also be held via telephone conference call or electronically, without regard to the actual location of the Directors at the time of such meeting, if all the Directors consent thereto.

### **SECTION 6.03 - Notice of Directors' Meetings.**

Written notice of the date, time, place and/or method (including telephone conference or electronic) and purpose or purposes of any Special Board Meeting of the Board, and, when the business to be transacted thereat shall require such, any Regular Board Meeting, shall be delivered to each Director at least five (5) days prior thereto, either personally or by mail, or email, by or at the direction of the Secretary or, upon any default in this duty, by the Secretary or those calling it in the case of a Special Board 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 as the address appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days prior to 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 6.04 - Waiver of Board Meeting Notice.**

At any time, a Director may waive notice of any Board Meeting by delivering to the Cooperative a written waiver of notice signed by the Director and later filed with the Board Meeting minutes or the Cooperative's records. Unless a Director:

1. Upon arriving at a Board Meeting or prior to the vote on a particular matter, objects to lack of, or defective, notice of the Board Meeting or a matter being considered at the Board Meeting; and
2. Does not vote for, or assent to, an objected matter;

then the Director's attendance at, or participation in, a Board Meeting waives notice of the Board Meeting and any matter considered at the Board Meeting.

### **SECTION 6.05 - Director Quorum.**

The presence in person, electronically, or via telephone conference call, of a majority of the Directors in office shall be required for the transaction of business ("Director Quorum") and the affirmative votes of a majority of the Directors in office present and voting shall be required for any action to be taken except that any action by the Directors under Article IX of these Bylaws shall require three-fourths (3/4) affirmative votes of the Directors in office present and voting; PROVIDED, 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, if less than a Director 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.

For purposes of this Section 6.05, Directors may be deemed present in person if participating through any means of communication by which all Directors participating in the Board Meeting may simultaneously hear each other during the Board Meeting.

### **SECTION 6.06 - Board Action by Written Consent.**

Without a Board Meeting, the Board may take any action required, or permitted, to be taken at a Board Meeting if the action is:

1. Taken by all Directors; and
2. Evidenced by one (1), or more, written consents ("Director Written Consent"):
  - a. Describing the action taken;
  - b. Signed by each Director; and
  - c. Included with the Cooperative's Board Meeting minutes. Unless the Director Written Consent specifies a different effective date, action taken by Director Written Consent is effective when the last Director signs the Director Written Consent. A Director Written Consent has the effect of, and may be described as, a Board Meeting vote.

## **Article VII - Officers; Miscellaneous**

### **SECTION 7.01 - Number and Title.**

The officers of the Cooperative shall be a President, Vice President, Secretary and Treasurer ("Required Officer"), General Manager and Chief Executive Officer (CEO), and such other officers ("Other Officer") as may from time to time be determined by the Board. The offices of Secretary and Treasurer may be held by the same person. The Board may also elect an Assistant Secretary and an Assistant Treasurer. Such assistant offices may likewise be held by the same person.

### **SECTION 7.02 - Election and Term of Office.**

The officers named in Section 7.01 shall be elected by secret written ballot, annually and without prior nomination, by and from the Board at the first meeting of the Board held after the Annual

Member Meeting. 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 Member Meeting or until a 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. Any Other Officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board may from time to time deem advisable. When necessary, tie votes for any election shall be resolved by drawing of lots.

### **SECTION 7.03 - Removal.**

Any officer, agent or employee elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served; PROVIDED, however, the Board shall be obligated to honor the terms of any employment contract previously entered into by the existing or a prior Board.

### **SECTION 7.04 - Vacancies.**

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

### **SECTION 7.05 - President.**

The President:

1. Shall be the principal executive officer of the Cooperative;
2. Preside at all meetings of the Board, and unless determined otherwise by the Board, at all meetings of the Members;
3. May sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some Other Officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
4. In general, shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

### **SECTION 7.06 - Vice President.**

In the absence of the President, or in the event of an 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 the Vice President by the Board.

### **SECTION 7.07 - Secretary and Assistant Secretary.**

The Secretary shall:

1. keep, or cause to be kept, the minutes of meetings of the Members and of the Board in one or more books provided for that purpose;

2. see that all notices are duly given in accordance with these Bylaws or as required by law;
3. have charge of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed 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;
4. 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;
5. have general charge of the books of the Cooperative in which a record of the Members is kept;
6. 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 of 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
7. 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 the Secretary by the Board.

The Assistant Secretary shall, in the absence of the Secretary, or in the event of their death, inability or refusal to act, unless otherwise determined by the Board of Directors, perform the duties of the Secretary, and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary.

#### **SECTION 7.08 - Treasurer and Assistant Treasurer.**

The Treasurer shall:

1. have charge of and be responsible for all funds and securities of the Cooperative;
2. 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 or approved in accordance with the provisions of these Bylaws; and
3. in general, perform all the duties incident to the office of Treasurer and such other lawful duties as from time to time may be assigned to the Treasurer and Assistant Treasurer by the Board.

The Assistant Treasurer shall, in the absence of the Treasurer, or in the event of their death, inability or refusal to act, unless otherwise determined by the Board of Directors, perform the duties of the Treasurer, and when so acting shall have all the powers of and be subject to all the restrictions upon the Treasurer.

#### **SECTION 7.09 - 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 7.07 and 7.08, the Board 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, and to Other Officers or employees of the Cooperative who are not Directors. To the extent 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 7.10 - General Manager and Chief Executive Officer (CEO).**

The Board shall appoint a General Manager and Chief Executive Officer (CEO), and who may be, but who shall not be required to be, a Member of the Cooperative. Such officer shall perform such duties as the Board may from time to time require of the CEO and shall have such authority as the Board may from time to time vest in the office. General management of the Cooperative's affairs is expressly delegated to the General Manager and Chief Executive Officer (CEO), subject to policies established from time to time by the Board.

#### **SECTION 7.11 - Committees.**

The President may create committees of the Board ("Board Committees") and appoint Directors to serve on the Board Committees. Each Board Committee must consist of two or more Directors and serves at the President's discretion. The Board may create committees of the Members ("Member Committees") and appoint Members, including Directors, to serve on the Member Committees.

1. Conduct of Committee Meetings. To the same extent as the meetings of the Board of Directors, these Bylaws addressing Regular Board Meetings, Special Board Meetings, Waiver of Board Meeting Notice, Board Action by Written Consent, and Director Quorum and Voting apply to Board Committees and Directors serving on Board Committees, and to Member Committees and Members serving on Member Committees.
2. Committee Authority. Except as prohibited or limited by Law, the Certificate, or this Bylaw, the Board may authorize a Board Committee to exercise Board authority. Although a Board Committee may recommend, a Board Committee may not act, to:
  - a. Retire and refund Capital Credits and Affiliated Capital Credits;
  - b. Recommend to Members or approve the Cooperative's dissolution or merger, or the sale, pledge, or Transfer of all, or substantially all, Cooperative Assets;
  - c. Elect, appoint, or remove Directors, or fill any Board or Board Committee vacancy; or
  - d. Adopt, amend, or repeal these Bylaws or the Certificate of Incorporation.

Member Committees may act as specified by the Board, but may not exercise Board authority.

#### **SECTION 7.12 - Executive Committee.**

Unless otherwise determined by the Board, and if so engaged

1. An Executive Committee is comprised of the President, Vice President, Secretary, and Treasurer ("Executive Committee"); and

2. When impracticable or inconvenient for the Board to timely meet to consider a matter, and except as prohibited by Law, the Certificate, or these Bylaws, the Executive Committee may exercise all Board authority regarding a matter, if granted by the Board.

The Executive Committee:

1. Is a Board Committee;
2. May exercise all Board authority granted by the Board and permitted by Law, the Certificate, and these Bylaws; and
3. At the next Board Meeting following any exercise of Board authority, shall report to the Board regarding the Executive Committee's exercise of Board authority.

### **SECTION 7.13 – Bonds or Insurance.**

The Board shall require the Treasurer and any Other Officer, agent or employee of the Cooperative charged with responsibility of any of its funds or property to be bonded or otherwise insured in such sum and with such surety as the Board shall determine. The Board in its discretion may also require that any Other Officer, agent or employee of the Cooperative be bonded in such amount and with such surety as it shall determine. The costs of all such bonds or insurance shall be borne by the Cooperative.

### **SECTION 7.14 - Compensation.**

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 5.11 of these Bylaws, and the powers, duties and compensation of any Other Officers, agents and employees shall be fixed or a plan therefor approved by the Board.

### **SECTION 7.15 - Reports.**

The officers of the Cooperative shall submit at each Annual Member Meeting 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 VIII - Cooperative Operation**

### **SECTION 8.01 - Nonprofit and Cooperative Operation.**

The Cooperative:

1. shall operate on a nonprofit and Cooperative basis for the mutual benefit of all Members; and
2. may not pay interest or dividends on capital furnished by Patrons.

### **SECTION 8.02 - Allocating Capital Credits.**

The Cooperative shall allocate Capital Credits as provided in this Bylaw. Capital Credits will be allocated in a Patron's name as shown in the Cooperative's records, regardless of the Patron's marital status. Subject to the provisions herein, the allocation of Capital Credits is in the discretion of the Board and the Board must determine the manner, method, and timing of allocating Capital Credits. The Cooperative may use or invest unretired Capital

Credits as determined by the Board.

1. **Patron.** The term "Patron" means, during a fiscal year: (1) a Member; and (2) any other Person or entity using a Cooperative Service to whom the Cooperative is obligated to allocate Capital Credits.
2. **Allocating Earnings.**
  - a. **Patronage Earnings.** For each Cooperative Service or good provided by the Cooperative on a cooperative basis during a fiscal year, the Cooperative shall equitably allocate to each Patron, in proportion to the quantity or value of the Cooperative Service or good purchased by the Patron during the fiscal year and timely paid for by the Patron, the Cooperative's patronage earnings from providing the Cooperative Service or good during the fiscal year. Patronage earnings mean the amount by which the Cooperative's patronage sourced revenues from providing a Cooperative Service or good exceed the Cooperative's patronage sourced expenses of providing the Cooperative Service or good, all as determined under federal Cooperative tax law.
  - b. **Non-Patronage Earnings.** As determined by the Board, the Cooperative may use, retain, or equitably allocate all the Cooperative's non-patronage sourced earnings. Notwithstanding other provisions of these Bylaws, the Cooperative may offset non-patronage earnings with current or prior losses whether derived from patronage sources or non-patronage sources. If during the year the Cooperative incurs a non-patronage loss, then the Cooperative may offset this non-patronage loss with its unallocated and retained equity, or offset patronage earnings of the year; provided, however, the non-patronage loss does not exceed the amount of patronage earnings. The excess of any non-patronage loss over patronage earnings may be utilized in a manner consistent with accepted accounting practices, loan covenants and federal cooperative tax law.
3. **Allocating Patronage Sourced Losses.** To the extent the Cooperative incurs a patronage loss for a Cooperative Service or good during the fiscal year, the Cooperative shall have the authority under accepted accounting practices, loan covenants and federal cooperative tax law to prescribe the manner in which such patronage loss shall be handled.
4. **Capital Credits.** For each amount allocated to a Patron, the Patron is deemed to have contributed a corresponding amount to the Cooperative as capital. The Cooperative must credit all capital contributions from a Patron to a capital account for the Patron. The Cooperative shall maintain books and records reflecting the capital contributed by each Patron. At the time of receipt by the Cooperative, each capital contribution is treated as though the Cooperative paid the amount

allocated to the Patron in cash pursuant to a pre-existing legal obligation and the Patron contributed the corresponding amount to the Cooperative as capital. The term "Capital Credits" means the amounts allocated to a Patron and contributed by the Patron to the Cooperative as capital.

5. Different and Separate Allocations. As reasonable and fair, the Cooperative may allocate Capital Credits to classes of similarly situated Patrons under different manners, methods, and timing, provided the Cooperative allocates Capital Credits to similarly situated Patrons under the same manner, method, and timing. If the Cooperative is a Member, patron, or owner of an entity from which the Cooperative uses a good or service in providing a Cooperative Service and from which the Cooperative is allocated a capital credit or similar amount, then, as determined by the Board and consistent with this Bylaw, the Cooperative may separately identify and allocate to the Cooperative's Patrons this capital credit or similar amount allocated by the entity.
6. Unclaimed Capital Credits. The Cooperative may regularly impose a reasonable dormancy or service charge for each month or year a Patron or former Patron fails to claim Capital Credits retired and paid to the Patron or former Patron.

### **SECTION 8.03 - Notification and Assignment of Capital Credits.**

Within a reasonable time after the end of each fiscal year, the Cooperative shall publish or deliver to the Member, in writing or electronically, the stated dollar amount of Capital Credits or the formula for calculating the dollar amount of Capital Credits allocated to the Patron for the preceding fiscal year. Such notice shall not impair allocation of losses, as provided herein.

Except as otherwise provided by the Board or these Bylaws, to assign or transfer a Patron's Capital Credits: (1) the Cooperative must receive a written request signed by the Patron to assign or transfer the Capital Credits; (2) the Patron and the assignee or transferee must comply with all reasonable requirements specified by the Cooperative; and (3) the Board must approve the assignment or transfer.

### **SECTION 8.04 - Retiring Capital Credits.**

At any time before the Cooperative's dissolution, liquidation or cessation of existence, the Cooperative may generally retire and pay some or all Capital Credits allocated to Patrons and former Patrons as provided in this Bylaw. If the Cooperative retires and pays Capital Credits, then the Cooperative must retire and pay Capital Credits in a Patron's name as shown in the Cooperative's records, regardless of the Patron's marital status.

1. General Capital Credit Retirements. At any time before the Cooperative's dissolution, liquidation, or other cessation of existence, the Cooperative may generally retire and pay some or all Capital Credits allocated to Patrons and former Patrons.
2. Discounted Capital Credit Payments. In any circumstance where the Cooperative retires Capital Credits and repays some or all amounts of patronage capital prior to the expiration of the rotation cycle, the

Capital Credits may be discounted in accordance with Board-approved discounting guidelines and any other terms and conditions generally published to the membership or otherwise specifically agreed upon by the Cooperative, the Patron or the Patron's legal representative. Any resulting net savings shall be used or retained as permanent, unallocated equity, or equitably allocated.

3. Special Capital Credit Retirements. The Cooperative may specially retire and pay on a discounted basis some or all Capital Credits allocated to the estate of a deceased former Patron:
  - a. after the death of the individual;
  - b. after receiving a written request from the deceased individual's representative; and
  - c. according to the terms and conditions agreed upon by the Cooperative and the deceased individual's representative.
4. Capital Credit Recoupment and Offset. Regardless of a statute of limitation or other time limitation, after retiring Capital Credits allocated to a Patron or former Patron, the Cooperative may recoup, offset, or setoff an amount owed to the Cooperative by the Patron or former Patron, including any compounded interest and late payment fee, by reducing the net present value amount of retired Capital Credits paid to the Patron or former Patron by the amount owed to the Cooperative. Net present value shall be determined in accordance with Board-approved discounting guidelines and any other terms and conditions generally published to the membership or otherwise specifically agreed upon by the Cooperative, the Patron or the Patron's legal representative.
5. Capital Credit Retirement Discretion. The Cooperative may retire and pay Capital Credits only if the Board determines that the retirement and payment will not adversely impact the Cooperative's financial condition. Consistent with this Bylaw, the retirement and payment of Capital Credits are in the sole discretion of the Board and are not affected by previous retirements and payments. The manner, method, and timing of retiring and paying Capital Credits may be determined only by the Board.
6. Different and Separate Capital Credit Retirements. As reasonable and fair, the Cooperative may retire and pay Capital Credits to classes of similarly situated Patrons and former Patrons under different manners, methods, and timing, provided the Cooperative retires and pays Capital Credits to similarly situated Patrons and former Patrons under the same manner, method, and timing. If the Cooperative separately identified and allocated Capital Credits representing Capital Credits or similar amounts allocated to the Cooperative by an entity in which the Cooperative is or was a Member, patron, or owner, then the Cooperative may retire and pay these Capital Credits as determined by the Board.
7. Unclaimed Capital Credits. The Cooperative may regularly impose a reasonable dormancy or service charge for each month or year a Patron or former Patron fails to claim Capital Credits retired and paid to the Patron or former Patron.

### **SECTION 8.05 - Patron Agreement.**

Each Patron and former Patron agrees that:

1. Capital Credits are not securities under state or federal Law;
2. The Patron's right to Capital Credits vests, accrues, becomes redeemable, and becomes payable only upon the Cooperative retiring the Capital Credits as provided in these Bylaws, and not upon the Cooperative allocating the Capital Credits; and
3. As required by Law, each Patron will:
  - a. report to the appropriate entity all allocated or retired Capital Credits; and
  - b. pay the appropriate entity any tax or similar amount on allocated or retired Capital Credits.

### **SECTION 8.06 - Non-Member Patrons and Non-Member Non-Patrons.**

As a condition of Using a Cooperative Service, and except as otherwise provided by the Board:

1. To the same extent as a Member, a Patron who is not a Member ("Non-Member Patron") and a Person Using a Cooperative Service who is not a Member or Patron ("Non-Member Non-Patron") must abide by and be bound to the duties, obligations, liabilities, and responsibilities imposed by the Governing Documents upon Members;
2. A Non-Member Patron or Non-Member former Patron has none of the rights granted by the Governing Documents to Members, other than the rights to:
  - a. be allocated Capital Credits; and
  - b. be paid retired Capital Credits; and
3. A Non-Member Non-Patron has none of the rights granted by the Governing Documents to Members.

### **SECTION 8.07 - Reasonable Reserves.**

Regardless of a 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 must keep records necessary to determine, at any time, each Patron's rights and interest in Reasonable Reserves.

## **Article IX - Disposition of Cooperative Assets**

### **SECTION 9.01 - Transfer of Cooperative Assets.**

The Cooperative shall not sell, mortgage, lease or otherwise encumber or dispose (collectively "Transfer") of any Cooperative property or Assets (other than merchandise and property which lie within the limits of an incorporated city or town, or which shall represent not in excess of ten percent (10%) of the total value of the Cooperative's Assets ("Assets"), or which in the judgment of

the Board are not necessary or useful in operating the Cooperative) unless:

1. The Superior Court Resident Judge for the Judicial District in North Carolina in which the Cooperative's headquarters are located, or if such judge refuses to make such designations, the Board, appoints three (3) independent appraisers, each of whom, within a reasonable time, evaluates the Cooperative's Assets and renders an Appraisal valuing the Cooperative's Assets ("Appraisal");
2. The Board approves the Transfer;
3. At least two-thirds (2/3) of the Total Membership, without proxies, approves the Transfer;
4. At least seventy-five percent (75%) of the holders of bonds of the Cooperative approves the Transfer;
5. Notice of any Member Meeting at which Members will consider the Transfer states that one (1) of the purposes of the Member Meeting is to consider the Transfer, and includes a copy or summary of the Transfer; and
6. In proportion to the cost of service, value or quantity of Cooperative Services used, received, or purchased 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 Cooperative's Assets that exceeds the Cooperative's debts, obligations, and liabilities.

Unless otherwise determined by the Members, after the Members approve a Transfer, the Board may abandon the Transfer.

The Board may (1) borrow money from any source and in such amounts as the Board may from time to time determine, (2) mortgage or otherwise pledge or encumber any or all of the Cooperative's property or Assets as security therefor, and (3) sell and lease back any of the Cooperative's property or Assets, if the Members by an affirmative majority of votes cast in person at any Member Meeting, has delegated to the Board such power and authority.

### **SECTION 9.02 - Merger or Consolidation.**

In a manner determined by the Board that is consistent with this Bylaw, the Cooperative may consolidate or merge with any other entity incorporated under the same act as the Cooperative that provides electric power ("Consolidate or Merge").

1. **Board Approval.** The Board must approve an agreement or plan to Consolidate or Merge ("Consolidation or Merger Agreement") stating the:
  - a. Terms and conditions of the Consolidation or Merger and the mode of carrying the same into effect;
  - b. Name and address of the principal office of each entity Consolidating or Merging;
  - c. Name and address of the principal office of the new or surviving Consolidated or Merged entity ("New Entity");
  - d. Manner and basis, if any, of converting Memberships, or ownership rights, of each Consolidating or Merging entity into

- e. Memberships or ownership rights of, or payments from, the New Entity;
  - f. A statement that each Cooperative agrees to the Consolidation or Merger;
  - g. Names and addresses of New Entity Directors who will serve until the New Entity's first annual meeting; and
  - h. Any other information required by Law or necessary or advisable for the conduct of the business of the New Entity.
2. Member Approval. After the Board approves a Consolidation or Merger Agreement, two-thirds (2/3) of the Members present and voting in person must approve the Consolidation or Merger Agreement, at a meeting held thereon.
  3. Notice. The Cooperative shall notify Directors of any Board Meeting, and Members of any Member Meeting, at which Directors or Members may consider a Consolidation or Merger Agreement. This notice must contain, or be accompanied by, a copy of the Consolidation or Merger Agreement.
  4. Other Requirements. The New Entity Directors named in the Consolidation or Merger Agreement must sign and file articles of Consolidation or Merger in a manner, and stating the information, required by Law. The Cooperative shall comply with all other requirements for Consolidation or Merger specified by Law.

Cooperative Services used, received, or purchased by each Member during the six (6) years prior to the Cooperative's dissolution; or

- ii. Any nonprofit charitable or educational entity or organization exempt from paying Federal income tax.

## **Article X - Miscellaneous**

### **SECTION 10.01 - Bylaw Amendments.**

Unless otherwise provided in these Bylaws, these Bylaws may be adopted, amended, or repealed ("Amended") by the affirmative vote of a majority of current Directors.

Notice of any Board Meeting at which the Board will consider a proposed Bylaw Amendment must:

1. State that the purpose, or one (1) of the purposes, of the Board Meeting is to consider the proposed Bylaw Amendment; and
2. Contain, or be accompanied by, a copy or summary of the proposed Bylaw Amendment.

Upon resolution of a majority of those present and voting at an Annual or Special Member Meeting, at which a Member Quorum is present, recommending that the Board amend the Bylaws in a particular way, the Board will consider and study the recommendation of the Members and either adopt the Bylaw proposal, bring a recommendation back to the Membership at its next Member Meeting, or publish a response in a newsletter or other correspondence to the Membership on action proposed by the Directors in response to the resolution.

### **SECTION 10.02 - Rules of Order.**

Unless the Board determines otherwise, and to the extent consistent with Law, the Certificate of Incorporation, and these Bylaws, all:

1. Member Meetings;
2. Board Meetings;
3. Member Committee meetings; and
4. Board Committee meetings;

are intended to be governed by the latest edition of Robert's Rules of Order.

### **SECTION 10.03 - Fiscal Year.**

The fiscal year ends December 31 of each year.

### **SECTION 10.04 - Notice.**

In these Bylaws:

1. Notice Type. Unless otherwise provided in these Bylaws, notice may be:
  - a. Oral or written; and

### **SECTION 9.03 - Distribution of Cooperative Assets Upon Dissolution.**

Upon the Cooperative's dissolution:

1. The Cooperative shall pay, satisfy, or discharge all Cooperative debts, obligations, and liabilities, including retiring and refunding without priority all Capital Credits and Affiliated Capital Credits to all Patrons and former Patrons in proportion to the value or quantity of Cooperative Services used, received, or purchased by each Patron or former Patron; and
2. After paying, satisfying, or discharging all Cooperative debts, obligations, and liabilities:
  - a. To the extent practical, the Cooperative shall first distribute gains from selling any appreciated Cooperative Asset to Members who used, received, or purchased Cooperative Services during the period in which the Cooperative owned the Cooperative Asset in proportion to the value or quantity of Cooperative Services used, received, or purchased by the Member during the period the Cooperative owned the Cooperative Asset; and
  - b. To the extent practical, the Cooperative shall then pay or distribute any remaining Cooperative Assets, and any amounts received from selling any remaining Cooperative Assets, to:
    - i. The Members in proportion to the value or quantity of

- b. Communicated:
  - i. In person;
  - ii. By telephone, telegraph, teletype, facsimile, electronic communication, or other form of wire or wireless communication;
  - iii. By mail or private carrier; or
  - iv. If the above-listed forms of communicating notice are impractical, then by:
    - 1. Newspaper of general circulation in the area where published; or
    - 2. Radio, television, or other form of public broadcast communication.

If addressed, or delivered, to an address shown in the Membership List, then a written notice or report delivered as part of a newsletter, magazine, or other publication regularly sent to Members constitutes a written notice or report to all Members:

- 1. Residing at the address; or
- 2. Having the same address shown in the Membership List.

- 2. Notice Effective Date. If communicated in a comprehensible manner, then unless otherwise provided in these Bylaws:
  - a. Oral notice is effective when communicated; and
  - b. Written notice is effective upon the earliest of:
    - i. When received;
    - ii. With the postmark evidencing deposit in the United States Mail, if correctly addressed:
      - 1. Mailed with first class postage affixed, then five (5) days after deposit in the United States Mail; or
      - 2. Mailed with other than first class, registered, or certified postage affixed, then thirty (30) days after deposit in the United States Mail; or
  - c. If sent by registered or certified mail, return receipt requested, and if the return receipt is signed by, or on behalf of, the addressee, then on the date indicated on the return receipt.

Written notice is correctly addressed to a Member if addressed to the Member's address shown in the Membership List.

**SECTION 10.05 - Governing Law.**

These Bylaws must be governed by, and interpreted under, the laws of the State of North Carolina.

**SECTION 10.06 - Titles and Headings.**

All titles and headings of Bylaw articles, sections, and sub-sections are for convenience and reference only, and do not affect the interpretation of any Bylaw article, section, or sub-section.

**SECTION 10.07 - Partial Invalidity.**

When reasonably possible, every Bylaw article, section, sub-section, paragraph, sentence, clause, or provision (collectively, "Bylaw Provision") must be interpreted in a manner by which the Bylaw Provision is valid. The invalidation of any Bylaw Provision by any entity possessing proper jurisdiction and authority, which does not alter the fundamental rights, duties, and relationship between the Cooperative and Members, does not invalidate the remaining Bylaw Provisions.

**SECTION 10.08 - Cumulative Remedies.**

The rights and remedies provided in these Bylaws are cumulative. The Cooperative or any Member asserting any right or remedy provided in these Bylaws does not preclude the Cooperative or Member from asserting other rights or remedies provided in these Bylaws.

**SECTION 10.09 - Entire Agreement.**

Between the Cooperative and any Member, the Governing Documents:

- 1. Constitute the entire agreement; and
- 2. Supersede and replace any prior or contemporaneous oral or written communication or representation.

**SECTION 10.10 - Successors and Assigns.**

To the extent allowed by Law:

- 1. The duties, obligations, and liabilities imposed upon the Cooperative or any Member by these Bylaws are binding upon the successors and assigns of the Cooperative or Member; and
- 2. The rights granted to the Cooperative by these Bylaws inure to the benefit of the Cooperative's successors and assigns.

The binding nature of the duties, obligations, and liabilities imposed by these Bylaws upon the successors and assigns of the Cooperative and any Member does not relieve the Cooperative or Member of the duties, obligations, and liabilities imposed by these Bylaws upon the Cooperative or Member.

**SECTION 10.11 - Waiver.**

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

**SECTION 10.12 - Lack of Notice.**

To the extent allowed by Law and the Certificate, the failure of any Member or Director to receive notice of any Meeting, action, or vote does not affect, or invalidate, any action or vote taken by the Members or Board.

**SECTION 10.13 - 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 “Carolina Country.” The annual subscription therefore, 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 10.14 – 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.”

**APPENDIX**

**COOPERATIVE SERVICE AREA**