



Randolph Electric  
Membership Corporation

Your Touchstone Energy® Cooperative 

Owned by those we serve

# Bylaws

Asheboro, North Carolina



# **Bylaws**

**of**

**Randolph Electric**

**Membership**

**Corporation**

**Asheboro, North Carolina**

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# BYLAWS

of

**Randolph Electric Membership Corporation**

**November 2008**

The aim of the Randolph Electric Membership Corporation (Hereinafter called the "Cooperative") is to make electric energy available to its members at the lowest cost consistent with sound economy and good management.

## **ARTICLE I.**

### **MEMBERSHIP**

**SECTION 1.01.ELIGIBILITY.** Any natural person, firm association, corporation, business trust, partnership, body politic or subdivision thereof (each hereinafter referred to as "person," "applicant," "him/her," or "his/her), shall be eligible to become a member of, one or more premises owned or directly occupied or used by such person, to receive electric service from Randolph Electric Membership Corporation (hereinafter called the "COOPERATIVE"). No person shall hold more than one membership in the Cooperative. No membership shall be converted except allowed pursuant to these Bylaws.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. Notice of this contract shall be communicated to each patron of the Cooperative by providing each new patron a copy of these Bylaws.

**SECTION 1.02 APPLICATION FOR MEMBERSHIP; RENEWAL OF PRIOR APPLICATION.** Application for membership shall be made in writing on such form as is provided therefore by the Cooperative. The applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative's Articles of Incorporation and Bylaws, and all rules, regulations, rate classifications and rate schedules established pursuant thereto, as all the same then exist or may thereafter be adopted or amended (the obligations embraced by such agreement being hereinafter called "membership obligations"). With respect to any particular classification of service for which the Board

of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefore by the Cooperative. The membership application shall be accompanied by any service security deposit, service connection deposit or fee, facilities extension deposit or contribution in aid of construction that may be required by the Cooperative (hereinafter called "other payments, if any"). The payments, if any, shall be refunded in the event the application is denied.

Any former member of the Cooperative may, by paying any outstanding balance on an account owed the Cooperative (plus accrued interest thereof at the North Carolina legal rate judgments in effect when such account first became overdue, compounded annually) and any service security deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative, renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

Upon complying with the foregoing requirements, any applicant shall automatically be accepted into membership in, and become eligible to receive electric service from the Cooperative unless the Board of Directors shall determine that such applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application shall be rejected for other good cause.

Any person whose application has been submitted to the Board of Directors for sixty (60) days or longer but has not been approved by the Board of Directors may, by filing written request therefore with the Cooperative at least thirty (30) days prior to the next meeting of the members, having his/her application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and to be heard.

**SECTION 1.03. SERVICE SECURITY AND FACILITIES EXTENSION DEPOSITS; CONTRIBUTIONS IN AID OF CONSTRUCTION.** A service connection deposit or fee in such amount as shall be prescribed by the Cooperative, together with other payments, if any, shall be paid by the member for each additional service connection requested by said member.

**SECTION 1.04. JOINT MEMBERSHIP.** A husband and wife, by specifically so requesting in writing, may be accepted into joint membership, or, if one of them is already a member, may automatically convert such membership into a joint membership by jointly exe-

cuting another membership application. The words "member," "applicant," "person," "his/her" and "him/her," as used in these Bylaws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing -

(a) the presence at a meeting of either or both shall constitute the presence of one member and a joint waiver of notice of the meeting.

(b) the vote of either or both shall constitute, respectively, one joint vote: PROVIDED, that if both be present but in disagreement on such vote, each shall cast only one-half (1/2) vote;

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

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

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

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

**SECTION 1.05. PURCHASE OF ELECTRIC POWER AND ENERGY; POWER PRODUCTION BY MEMBER; APPLICATION OF PAYMENTS TO ALL ACCOUNTS.** The Cooperative shall exercise reasonable diligence to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by such member, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his/her membership, unless and except to the extent that the Board of Directors may in writing waive such requirement, and shall pay therefore at the times, and in accordance with the rules, regulations, and rate schedules (including any monthly minimum amount that may be charged with-

out regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with the 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 to the Cooperative when they become due and payable. When the member has more than one service connection from the Cooperative, any payment for service by the member to the Cooperative shall be deemed to be allocated and credited on a pro rata basis to his/her outstanding accounts for all such service connection, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and proration.

**SECTION 1.06. EXCESS PAYMENTS TO BE CREDITED AS MEMBER-FURNISHED CAPITAL.** Amounts paid for electric energy 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 these Bylaws.

**SECTION 1.07. NON-LIABILITY FOR DEBTS OF THE COOPERATIVE.** The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

**SECTION 1.08. WIRING OF PREMISES; RESPONSIBILITY THEREFORE; RESPONSIBILITY FOR METER TAMPERING OR BYPASSING AND FOR DAMAGE TO COOPERATIVE PROPERTIES; EXTENT OF COOPERATIVE RESPONSIBILITY; INDEMNIFICATION.** Each member shall cause all premises receiving electric service pursuant to his/her membership to become and to remain wired in accordance with the specifications of the North Carolina Insurance Underwriters Association, the National Electrical Code, any applicable state code or local governmental 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 or any other person against death, injury, or loss or damage resulting from any defect in or improper use of maintenance of such premises and all wiring and apparatus connected thereto or used thereon. Each member shall, without charge, make available to the Cooperative



a suitable site as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or other hostile source, for meter reading, bill collecting and for inspection, maintenance, replacement, relocation or repair of such facilities at all reasonable times. As part of the consideration for such service each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his/her best efforts to prevent others from so doing. Each member shall also provide such protective devices to his/her 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 any other person against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative extend beyond the point of delivery.

**SECTION 1.09. MEMBER TO GRANT EASEMENT TO COOPERATIVE.** Each member shall, upon being requested to do so by the Cooperative, execute and deliver to the Cooperative grants of easement or rights of way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service to its members or for the construction, operation, maintenance, or relocation of the Cooperative's electric facilities.

**SECTION 1.10. PARTICIPATION IN COOPERATIVE LOAD MANAGEMENT PROGRAMS IF REQUIRED.** Each member shall participate in any required program and comply with any related rate(s) and service rules and

regulations that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

**SECTION 1.11. SUSPENSION OF MEMBERS.** Upon a member's failure, after the expiration of the initial time limit prescribed either in a specific notice to such member or in the Cooperative's generally publicized applicable rules and regulations, to pay the amounts due the Cooperative or to cease any other non-compliance with such membership obligations, a person's membership shall be suspended automatically, and said member shall not during such suspension be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such re-instatement, and/or cessation of any other non-compliance with such 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 be entitled to receive electric service from the Cooperative and to vote at the meetings of its members.

**SECTION 1.12. TERMINATION BY EXPULSION; RENEWED MEMBERSHIP.** Upon the failure of a suspended member to be automatically reinstated to membership, as provided in Section 1.11, the member may, without further notice but only after due hearing before the Board of Directors if such is requested by said member, be expelled by vote of the Board of Directors at any subsequently held regular or special meeting of the Board. Any person so expelled may appeal to and be present and heard at the next annual or special meeting of the members who may vote approval of such expulsion or disapproval thereof, in which latter event such person's membership shall be reinstated retroactively to the date of the member's expulsion by the Board. After any finally effective expulsion of a member, he/she may not again become a member except upon new application therefore duly approved as provided in Section 1.02. The Board of Directors, upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all membership obligations.

**SECTION 1.13. TERMINATION BY WITHDRAWAL OR RESIGNATION.** A member shall withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to (or, with the approval of the Board of Directors, resigning said membership in favor of a new applicant who also shall) own or directly occupy or use

all premises being furnished electric service pursuant to his/her membership or (b) abandoning totally and permanently the use of central station electric service on such premises.

**SECTION 1.14. TERMINATION BY DEATH OR CESSATION OF EXISTENCE; CONTINUATION OF MEMBERSHIP IN REMAINING OR NEW PARTNERS.**

Except as provided in Section 1.16, the death of an individual human member shall automatically terminate his/her 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 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, neither a withdrawing partner nor the partner's estate shall be released from any debts then due the Cooperative.

**SECTION 1.15. EFFECT OF TERMINATION.** Upon the termination in any manner of a person's membership, the member or member's estate, as the case may be, shall be entitled to refund of any membership fee and refundable deposits, if any, theretofore paid the Cooperative, less any amounts due the Cooperative; but neither the member nor the member's estate, as the case may be, shall be released from any debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or expulsion of a member, as provided for in Sections 1.11 and 1.12, such suspension or expulsion shall not, unless the Board of Directors expressly so elect, constitute such release of such person from such membership obligations as an entitlement to purchase from any other person any central station electric power and energy for use at the premises at which such service has theretofore been furnished by the Cooperative pursuant to such membership.

**SECTION 1.16. EFFECT OF DEATH, LEGAL SEPARATION OR DIVORCE UPON A JOINT MEMBERSHIP.**

Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor so long as the survivor continues receiving service from the Cooperative, in the same manner and to the same effect as though such membership had never been joint; PROVIDED, that the estate of the deceased shall not be released from any debts due the

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

**SECTION 1.17. BOARD ACKNOWLEDGMENT OF MEMBERSHIP TERMINATION; ACCEPTANCE OF MEMBERS RETROACTIVELY.** Upon the termination of a person's membership for any reason, the Board of Directors, as soon as practicable after such termination is made known to it, shall by appropriate action formally acknowledge such termination effective as of the date on which the Cooperative ceased furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for, and the Board of Directors approves, membership retroactively to the date on which such person first began receiving such service, in which event, the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly.

## **ARTICLE II. MEETINGS OF MEMBERS**

**SECTION 2.01. ANNUAL MEETING.** A meeting of the membership of the Cooperative shall be held annually on such date and at such time and place within the counties of Randolph, Alamance, Chatham, Moore or Montgomery, in the State of North Carolina, as shall be designated by the Board of Directors of the Cooperative in the Notice of the Meeting for the purpose of electing directors, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting. It shall be the duty of the Board of Directors to make adequate plans and preparations for, and to encourage member attendance at the annual meeting. The President or his/her delegate shall preside over the meeting.

**SECTION 2.02. SPECIAL MEETING.** A special meeting of the members may be called by the Board of Directors, by any three directors, or by written request signed by at least ten percent (10%) of the then-total members of the Cooperative, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 2.03. Such a meeting, if called by the Board of Directors, may be held at any place that the annual meeting may pursuant to Section 2.01 be held, and shall begin at such hour

as the Board shall decide; if otherwise called, it shall be held in such place within one of the counties named in Section 2.01, in the State of North Carolina, on such date not sooner than forty (40) days after the call for such meeting is made, or a written request therefore is filed, and beginning at such hour as shall be designated by such person or persons or those calling or petitioning for the same.

**SECTION 2.03. NOTICE OF MEMBER MEETINGS.**

Written or printed notice of the place, date and hour of the meeting and, in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose of purposes of the meeting shall, except as otherwise provided by the North Carolina General Statutes, be delivered to each member not less than ten (10) days nor more than ninety (90) days before the date of the meeting, by any reasonable means, by or at the direction of the President, the Secretary, (and, in the case of a special meeting, at the direction of such person or persons calling the meeting). Reasonable means of providing such notice shall include but not be limited to United States mail, personal delivery, the Cooperative's monthly newsletter, or member service billings. No matter the carrying of which, as provided by law, requiring the affirmative votes of a least a majority of all the Cooperative's members shall be acted upon at any meeting of the members unless notice of such matter shall have been contained in the notice of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the member's address as it appears on the records of the Cooperative with postage thereon prepaid and, whether mailed first-class or not, postmarked at least ten (10) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and non-intended failure of any member to receive such notice shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of said member's objection.

**SECTION 2.04. QUORUM.** Attendance in person of one hundred (100) members, or at least one per centum (1%) of the total members of the Cooperative, which

ever is smaller, shall be required for the transaction of business at any meeting of the members, provided, however, where statute requires a specific quorum for transacting business on a specific matter, said statute will take precedence over the provisions of this section. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date at least twenty (20) days later and to any place within one of the counties named in Section 2.01; PROVIDED, that the Secretary shall notify any absent members of the new time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 2.03. At all meetings of the members, whether a quorum be present or not, the Secretary shall annex to the minutes a list of those who were present in person.

**SECTION 2.05. VOTING.** Each member who is not in a status of suspension, as provided for in Section 1.11 or who is not otherwise ineligible to vote shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote. At all meetings of the members, 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 by these Bylaws. The President of the Cooperative who is presiding or, if for reason he/she not be presiding shall be entitled to vote in any election or in any other vote taken. Members may not cumulate their votes.

**SECTION 2.06. PROXIES PROHIBITED.** Members may not be represented or vote by mail or by proxy.

**SECTION 2.07. ORDER OF BUSINESS.** The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows: (a) Report on the number of members present in person in order to determine the existence of a quorum. (b) Reading of the Notice of the Meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be. (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon. (d) Presentation and consideration of, and acting upon, reports of officers, directors, and committees. (e) Election of directors. (f) Unfinished business. (g) New business. (h) Adjournment. Notwithstanding the foregoing, the Board of Directors 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, no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

**SECTION 2.08. CREDENTIALS AND ELECTION COMMITTEE.** The board of Directors shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee consisting of an odd number of members, not less than five (5) nor more than twenty-nine (29), who are not existing Cooperative employees, agents, officers, directors or known candidates for directors, who are not close relatives thereof or members of the same household or cooperative officers, existing directors or known candidates for directors, and who, if an election of directors is to be held are not members of the Nominating Committee for such meeting. In appointing the Committee, the Board shall have regard for equitable representation of the several areas served by the Cooperative. The Committee shall elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the committee to establish or approve the manner of conducting member registration and voting, to pass upon all questions that may arise with respect to the registration of members in person, to count all ballots or other votes cast in any election or in any other matter, to rule upon the validity of any ballots irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of directors (including but not limited to the validity of petitions of nomination or the qualifications of candidates and the regularity of the nomination and election of directors), and to pass upon any protest or objection filed with respect to any election or the conduct affecting the results of any election. In the exercise of its responsibility, the committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following the adjournment of the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The committee shall hear such evidence as is presented by the protester(s) or objector(s), who may be heard in person, by counsel, or both; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30)

days after such hearing, render its decision, which may be either to affirm or change the results of the election or to set aside such election. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final. The Committee may not act on any matter unless a majority of the Committee is present in person. Without limiting the foregoing duties and prerogative of the committee, on request of the person presiding at the meeting of the members or on the request of any member entitled to vote thereat, such Committee shall make a report in writing of any challenge, question, count, or matter determined by the Committee and execute a certificate of any fact found by them. Any such report or certificate made by them shall be prima-facie evidence of the facts stated and of the vote as certified by them. No close relative of any director shall serve on the Credentials and Election Committee.

### **ARTICLE III. DIRECTORS**

**SECTION 3.01. GENERAL POWERS.** The business and affairs of the Cooperative shall be managed by a board of nine (9) directors which shall exercise all of the powers of the Cooperative except such as are by law or by the Articles of Incorporation of the Cooperative or by these bylaws conferred upon or reserved to the members. The Board of Directors shall not appoint or elect any committee to exercise the authority of the Board. However, the Board may appoint or elect from its own membership one or more committees, each consisting of at least two directors, for the purpose of serving in an advisory or recommendatory capacity to the Board.

**SECTION 3.02. QUALIFICATIONS.** The persons named as directors in the Articles of Incorporation of the Cooperative shall compose the board of Directors until the first Annual Meeting or until their successors shall have been elected and shall have qualified. No person shall be eligible to become or remain a director of, or to hold any position of trust, in the Cooperative, who:

(a) does not have the legal capacity to enter into a binding contract under the laws of the State of North Carolina; or (b) does not have the mental and physical capacity to exercise the corporate standard for business judgment in discharging his/her duties in a manner to be in the best interests of the Cooperative under the laws of the State of North Carolina; or (c) has not been a member of the Cooperative in the Directorate District for which such person seeks election and has received elec-



tric service there as his/her primary residential abode in such person's own name for at least one hundred eighty (180) consecutive days next preceding the date of the election; or (d) has, during the ten (10) years preceding the date of nomination, been a regular employee of the Cooperative or of a competing enterprise; or (e) is in any way employed by or financially interested in a competing enterprise; or (f) is engaged in the business of selling electric energy.

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 his/her business has submitted the lowest bid. Upon establishment of the fact that a nominee for director lacks eligibility under this Section or as may be provided elsewhere in these bylaws, it shall be the duty of the chairman presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. Upon the establishment of the fact that any person being considered for, or already holding a directorship or other position of trust in the Cooperative, lacks eligibility under this Section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause such person to be removed therefrom, as the case may be.

Nothing contained in this Section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more of the directors have an interest adverse to that of the Cooperative.

When a membership is held jointly by a husband and wife, either one, but not both may be elected a director; provided, however, that neither one shall be eligible to become or remain a director or to hold a position of trust in the Cooperative unless both shall meet the qualifications hereinabove set forth.

**SECTION 3.03. NOMINATIONS.** It shall be the duty of the Board of Directors to appoint, not less than sixty (60) days nor more than ninety (90) days before the date of the meeting of the members at which directors are to be elected, a District Nominating Committee for each Directorate District in which directors are to be elected. Such District Nominating Committees shall consist of not less than three (3) nor more than five (5) members who shall be selected from the Directorate District from which a director is to be nominated. No

officer or member of the Board of Directors or close relative thereof shall be appointed a member of such Committee/Committees. The Committees shall prepare and post at the principal office of the Cooperative at least twenty (20) days before the meeting a list of nominations for directors, but any fifteen (15) or more members may make other nominations in writing over their signatures not less than fifteen (15) days prior to the meeting and the Secretary shall post the same at the same place where the list of nominations made by the Committees is posted. The Secretary shall mail with the Notice of the Meeting a statement of the number of directors to be elected and showing separately the nominations made by the District Nominating Committees and the nominations made by petition if any. The members may at any meeting at which a director or directors shall be removed, as hereinbefore provided, elect a successor or successors thereto without compliance with the foregoing provisions with respect to nominations. Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

**SECTION 3.04. ELECTION AND TENURE.** At each annual meeting of the members, directors shall be elected by secret written ballot by the members and, from among those members who are natural persons; PROVIDED that, when the number of nominees does not exceed the number of directors to be elected and if there is no objection, secret written balloting may be dispensed with in respect of that particular election and voting may be conducted in any other proper manner. Directors shall, unless the members determine otherwise in advance of the initial balloting, be elected by a plurality vote of the members. Drawing by a lot shall resolve, where necessary, any tie votes.

Directors shall be so nominated and elected that, beginning with the Annual Meeting of the members of 1996, directors from Directorate Districts 2, 4, and 7 shall be elected for three (3) year terms; at the Annual meeting of the members of 1997, directors from Directorate Districts 5, 8, and 9 shall be elected for three (3) year terms; and at the Annual Meeting of the members of 1998, directors from Directorate Districts 1, 3, and 6 shall be elected for three (3) year terms. Beginning with the next succeeding Annual Meeting of the members, and at each such meeting thereafter, the same number of directors that corresponds to the number whose terms are expiring shall be elected to serve a term of three (3) consecutive years; PROVIDED, that a year as used in this section shall mean the period beginning with one Annual Meeting of the members

and ending at the next; and PROVIDED FURTHER, that, notwithstanding the terms for which they are elected, directors shall serve until their successors shall have been elected and qualified.

**SECTION 3.05. DIRECTORATE DISTRICTS.** Directors shall be so nominated and elected that the Board shall be comprised of nine (9) Directorate Districts. A director of a Directorate District must be a resident of, and make his/her primary residential abode, on a premises served by an electrical circuit provided by the Cooperative. All of the Cooperative's electrical circuits, as identified by circuit numbers on the Cooperative's maps and records, shall be divided into nine (9) Directorate Districts. For the purpose of assuring equitable representation, additional circuit numbers may be added to or deleted from a Directorate District. It shall be the duty of the board of Directors to make such additions to, and deletions from, the various Directorate Districts no later than April 1st of each year. Such additions and deletions, along with the existing Directorate District circuit numbers, will be provided to the members. Each of the nine (9) Directorate Districts is:

<b>District Number</b>	<b>Circuit Numbers</b>
1 .....	1, 2, 3, 4, 5, 8, 68
2 .....	6, 7, 24, 25, 27, 30, 71, 73
3 .....	9, 13, 14, 16, 67, 69, 70
4 .....	10, 11, 15, 26, 75, 76, 77
5 .....	17, 18, 19, 20, 21, 22, 23, 60, 78
6 .....	28, 31, 55, 72, 87, 88
7 .....	33, 34, 36, 37, 38, 46, 47, 48, 49, 56, 80, 81, 83, 84
8 .....	39, 40, 50, 51, 52, 53, 82, 85, 86
9 .....	42, 43, 44, 61, 62, 63, 64, 89, 90

(Electrical circuits may be added or deleted on April 1st of each year for the purpose of assuring equitable representation.)

**SECTION 3.06. VOTING FOR DIRECTORS; VALIDITY OF BOARD ACTION.** In the election of directors, each member shall be entitled to cast the number of votes (but not cumulatively) which corresponds to the total number of directors to be elected, but no member may vote for more nominees than the number of directors that are to be elected. Ballots marked in violation of the foregoing restriction shall be invalid and shall not be counted. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect any manner whatsoever

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

**SECTION 3.07. REMOVAL OF DIRECTORS BY MEMBERS.** Any member may bring one or more charges against any one or more directors, alleging acts or omissions adversely affecting the business and affairs of the Cooperative that amount to actionable negligence, malfeasance, misfeasance, nonfeasance, fraud or criminal conduct, and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition, signed by not less than ten percent (10%) of the total membership of the Cooperative, which calls for a special member meeting thereon and specifies the place, time and date thereof not less than forty (40) days after the filing of such petition (or at the next annual meeting of the members if the same will be held no sooner than forty (40) days after such petition is filed). Each page of the petition shall, in the forepart thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s) is (are) being made. The petition shall be signed by each member in the same name as the member is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made and of the member(s) filing the charge(s) shall be contained in or accompany the notice of the meeting of the members not less than ten (10) nor more than ninety (90) days prior to the member meeting at which the matter will be acted upon; PROVIDED, the notice shall set forth (by random selection but otherwise in alphabetical order) only twenty (20) of the names and addresses of the charging members if twenty (20) or more members file the same charge(s) against the same director(s). Such director(s) shall be informed in writing of the charges after they have been validly filed and at least twenty (20) days prior to the meeting of the members at which the charge(s) are to be considered, shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s), and shall be heard last; and the person(s) bringing the charge(s) shall have the same opportunity, and shall be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting and it shall require the affirmative votes of not less than two-thirds of those registered at

the meeting in order to remove a director. PROVIDED, however, that any person so nominated must be from the same Directorate District as the removed director. Any vacancy created by such removal shall be filled by the affirmative votes of a majority of the votes cast at such meeting, without compliance with the foregoing provisions with respect to nominations, and nominations shall be made from the floor; PROVIDED FURTHER, the questions of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents, or otherwise; AND PROVIDED FURTHER, no director shall be so removable from office for the reason that such director, in good faith and believing such to be in the best interests of the Cooperative and of its present and future members, failed or declined to support, or that such director opposed, (1) a proposal to sell or lease-sell all or a substantial portion of the Cooperative's assets and properties or to dissolve the Cooperative, or (2) a motion to notify the Cooperative's members of a proposal received by the Cooperative for such a sale, lease-sale or dissolution, or (3) a motion or any other effort to call a meeting of the Cooperative's members to consider and act upon a proposal for such a sale, lease-sale or dissolution. A newly elected director shall serve out the unexpired portion of the removed director's term.

**SECTION 3.08 VACANCIES.** (a) Subject to the visions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the Board of Directors. A director thus elected shall serve out the unexpired term of the director whose office was originally vacated and until a successor is elected and qualified. (b) The office of a director shall become vacant if the director, at any time, fails to meet the qualifications set out in Section 3.02 of these Bylaws. (c) Also, the office of a director shall become vacant if the director misses as many as three (3) regular meetings of the Board of Directors during any twelve (12) consecutive such meetings, unless a majority of the remaining directors resolve that there was good cause for such absences during the ensuing twelve (12) consecutive regular Board of Directors meetings; (d) Any director appointed to fill a vacancy under this Section must meet the qualifications set out in Section 3.02 of the Bylaws.

Nothing contained in this Section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors, unless such action is taken with respect

to a matter which is affected by the provisions of this Section and in which one or more of the directors have an interest adverse to that of the Cooperative.

**SECTION 3.09. DIRECTOR COMPENSATION.** The Cooperative may reasonably reimburse, compensate, or provide benefits to Directors. The Board shall determine, by resolution and/or policy, the manner and method of any reasonable Director reimbursement, compensation, or benefits (which may include an insurance allowance). Such compensation may additionally include, but not necessarily be limited to, paying Directors a fixed fee and expenses, as determined in the Board's reasonable discretion, for attending:

1. Regular or special meetings of the Board of Directors (including not more than two (2) make-up sessions in a twelve (12)-month period;
2. Committee meetings held on other than Board meeting days;
3. Authorized state, regional, national or training meetings;
4. Functions involving the Cooperative, the state or national organization, or other Cooperative organizations; or
5. Functions reasonably enhancing the Director's ability to serve the Cooperative as a Director or officer.

No Director shall receive compensation for serving the Cooperative in any other capacity, nor shall any Close Relative of a Director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or such payment and amount shall be specifically authorized by the remaining Directors upon their certification of such as an emergency measure. However, a Director who is also an Officer of the Board, and who as such performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the remaining Directors.

**SECTION 3.10. RULES AND REGULATIONS.** The Board of Directors shall have the power to make, adopt, amend, abolish and promulgate such rules, regulations, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Cooperative's Certificate of Incorporation or Bylaws, as it may deem advisable

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

**SECTION 3.11. ACCOUNTING SYSTEM AND REPORTS.** The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after close of each fiscal year, cause to be made full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of, such year. A full and accurate summary of such audit reports shall be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

**SECTION 3.12. SUBSCRIPTION TO COOPERATIVE'S NEWSLETTER; SUBSCRIPTION TO STATEWIDE PUBLICATION.** 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 the Cooperative's Newsletter, the annual subscription price for which shall not be less than \$ .50, and which shall be deducted from any funds accruing in favor of such members, so as to reduce such funds in the same manner as would any other expense of the Cooperative. The Board of Directors shall also be empowered, on behalf of and for circulation to the North Carolina members periodically, to subscribe to the annual subscription prices for each publication, to be not less than \$2.00, and which 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 3.13. "CLOSE RELATIVE" DEFINED.** As used in these Bylaws, "Close Relative" means a person who, by blood or in law, including step, half, foster and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, niece or first cousin of the principal person.

## **ARTICLE IV. MEETINGS OF DIRECTORS**

**SECTION 4.01. REGULAR MEETINGS.** A regular meeting of the Board of Directors shall be held, without notice, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as conveniently may be at such site as designated by

the Board in advance of the annual member meeting. A regular meeting of the Board of Directors shall also be held monthly at such date, time and place in Randolph County, North Carolina, or in any other county in which the Cooperative operates, as the Board shall provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice; PROVIDED, that any director absent from any meeting of the Board at which such resolution initially determined or makes any change in the date, time, or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board; and PROVIDED FURTHER that, if established as policy by the Board, the President may change the date, time, or place of a regular monthly meeting for good cause and upon at least five (5) days notice thereof to all directors. Regular meetings, upon proper notice as otherwise provided herein, may also be held via telephone conference call, without regard to the actual location of the directors at the time of such telephone conference meeting, if all the directors consent thereto.

**SECTION 4.02. SPECIAL MEETINGS.** Special meetings of the Board of Directors may be called by 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 4.03. The Board, the President, or the directors calling the meeting shall fix the date, time, and place for the meeting, which shall be held in one of the counties served by the Cooperative unless all directors consent to its being held in some other place in North Carolina or elsewhere. Special meetings, upon proper notice as otherwise provided herein, may also be held via telephone conference call, without regard to the actual location of the directors at the time of such telephone conference meeting, if all the directors consent thereto.

**SECTION 4.03. NOTICE OF MEETINGS.** Written notice of the date, time, place, or telephone conference call and purpose or purposes of any special meeting of the Board, and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each director not less than five (5) days prior thereto, either personally or by mail, or by or at the direction of the Secretary or, upon the Secretary's default in this duty, by such person or persons calling it in the case of a special meeting or by



any other Director 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 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 4.04. QUORUM.** The presence in person or via telephone conference call of a majority of the directors in office shall be required for the transaction of business, and, except as otherwise provided in these Bylaws, the affirmative votes of a majority of the directors present and voting shall be required for any action to be taken; PROVIDED, a director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consider 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 quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause all directors to be duly and timely notified of the date, time and place of such adjourned meeting.

**SECTION 4.05. MANNER OF ACTING.** The act, at a meeting of the directors, of a majority of all the directors in office shall constitute the act of the Board of Directors.

## **ARTICLE V. OFFICERS**

**SECTION 5.01. NUMBER AND TITLE.** The officers of the Cooperative shall be a President, Vice-President, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, Executive Vice-President, and such other officers as may be determined by the Board of Directors from time to time. The offices of Secretary and Treasurer may be held by the same person. The offices of Assistant Secretary and Assistant Treasurer may be held by the same person. The Executive Vice-President shall not be a member of the Board of Directors, and shall be appointed by the Board of Directors.

**SECTION 5.02. ELECTION AND TERM OF OFFICE.** The officers (other than the Executive Vice-President), shall be elected, by ballot, annually by the Board of Directors at the first meeting of the Board of Directors

held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as is convenient. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting or until the officer's successor shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of officers.

**SECTION 5.03. REMOVAL.** Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Cooperative will be served thereby.

**SECTION 5.04. VACANCIES.** Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

**SECTION 5.05. PRESIDENT.** The President: (a) shall be the principal executive officer of the Cooperative and shall preside at all meeting of the members and of the Board of Directors; however, the President or the Board of Directors may appoint a delegate to preside over meetings of the members; (b) shall sign, with the Secretary, any deed, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent to the Cooperative, or shall be required by law to be otherwise signed or executed; and (c) in general perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

**SECTION 5.06. VICE-PRESIDENT.** In the absence of the President, or in the event of the President's inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned to him/her by the Board of Directors.

**SECTION 5.07. SECRETARY.** The Secretary shall (a) keep, or cause to be kept, the minutes of meetings of the members and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Cooperative

and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and to all documents the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these Bylaws or is required by law; (d) keep, or cause to be kept, a register of the name and post office address of each member, which address shall be furnished to the Cooperative by such member; (e) have general charge of the books of the Cooperative in which a record of the members is kept; (f) keep on file at all times a complete copy of the Cooperative's Articles 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 (g) 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 of Directors.

**SECTION 5.08. ASSISTANT SECRETARY.** In the absence of the Secretary, or in the event of the Secretary's inability or refusal to act, the Assistant Secretary shall 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 and shall perform such other duties as from time to time may be assigned to him/her by the Board of Directors.

**SECTION 5.09. TREASURER.** The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Cooperative; (b) receive and give receipts for money 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 as shall be selected in accordance with the provisions of these Bylaws; and (c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Board of Directors.

**SECTION 5.10. ASSISTANT TREASURER.** In the absence of the Treasurer, or in the event of the treasurer's inability or refusal to act, the assistant Treasurer shall perform the duties of the Treasurer, and when so acting, shall have all the powers and be subject to all the restrictions upon the Treasurer and shall perform such other duties as from time to time may be assigned to him/her by the Board of Directors.

**SECTIONS 5.11. EXECUTIVE VICE-PRESIDENT.** The Board of Directors shall appoint an Executive Vice-President who shall serve as General Manager who

may be, but shall not be required to be, a member of the Cooperative, and who shall not be a director. The Executive Vice-President shall perform such duties as the Board of Directors may from time to time require of the Executive Vice-President and have such authority as the Board of Directors may from time to time vest in him/her.

**SECTION 5.12. BONDS OF OFFICERS.** The Board of Directors shall require the Treasurer and Assistant Treasurer or any other officer of the Cooperative charged with the responsibility for the custody of any of its funds or property, to give bond in such sum and such surety as the Board of Directors shall determine. The Board of Directors, in its discretion, may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The cost of all such bonds shall be borne by the Cooperative.

**SECTION 5.13. 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 by the members, as provided elsewhere in these Bylaws, and the powers, duties, and compensation of any other officers, agents, and employees shall be fixed by the Board of Directors. Not inconsistent with Article 7 of the Cooperative's Articles of Incorporation, the Cooperative shall indemnify directors and officers, including the General Manager (and/or if so titled, the Executive Vice-President), and may, but shall not be obligated to, indemnify one or more of its other agents and employees, to the fullest extent allowable by law; and may purchase insurance to cover such indemnification in such amounts as are fixed by the Board of Directors.

**SECTION 5.14. REPORTS.** The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

**SECTION 5.15. DELEGATION OF SECRETARY'S AND TREASURER'S RESPONSIBILITIES.** Notwithstanding the duties, responsibilities, and authorities, of Secretary and of the Treasurer herein before provided in these Bylaws, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular routine administration of, one or more of such officers' duties to one or more agents or other officers of the Cooperative who are not directors. To the extent that the Board does so delegate with

respect to either such officer, that officer as such shall be released from such duties, responsibilities, and authorities.

## **ARTICLE VI. CONTRACTS, CHECKS AND DEPOSITS**

**SECTION 6.01. CONTRACTS.** Except as otherwise provided in these Bylaws the Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

**SECTION 6.02. CHECKS, DRAFTS, ETC.** All checks, drafts, or other orders for the payment of money and notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

**SECTION 6.03. DEPOSITS.** All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the Board of Directors may select.

## **ARTICLE VII. NON-PROFIT OPERATION**

**SECTION 7.01. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED.** The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

**SECTION 7.02. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY.** In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the

Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amount in excess of operating costs and expenses. The Books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any so furnished by each patron is clearly reflected and credited in a appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to their account: PROVIDED, that the individual notices of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of the aggregated amount of such excess and provides a clear explanation of how each patron may compute and determine for himself/herself the specific amount of the capital so credited to him/her. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

PROVIDED, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply or other service or supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric service or any other service or supply to the Cooperative. Such rules shall (a) establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's patrons, (c) provide for appropriate notifications to patrons with respect to such portions of capital credited to their accounts, and (d) preclude a general retirement of such portions of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to

patrons for the same year or of any capital credited to patrons for any prior fiscal year.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property right of members; PROVIDED, that insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during that period insofar as is practicable, as determined by the Board of Directors, before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part.

Notwithstanding any other provisions of these Bylaws, the Board of Directors shall determine the method of allocation, basis, priority, and order of retirement, if any, for all amounts furnished as patronage capital.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor and only to successors in interest of successors in occupancy in all or a part of such patron's premises served by the Cooperative, unless the Board of Directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions of the Bylaws, the Board of Directors shall at its discretion, have the power at any time upon the death of any patron, who was a natural person, (or, if as so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a patron, which assignee was a natural person). If the legal representatives of the patron's estate shall request in writing that the capital credited to such patron be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire such capital immediately upon such terms and conditions as the Board of Directors, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon; PROVIDED, however that the financial condition of the Cooperative

will not be impaired thereby.

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

**SECTION 7.03. PATRONAGE REFUNDS IN CONNECTION WITH FURNISHING OTHER SERVICES.** In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons from whom such amounts were obtained and retired to them at such time and in such order of priority as shall be determined by the Board of Directors.

## **ARTICLE VIII. DISPOSITION AND PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION**

**SECTION 8.01. DISPOSITION AND PLEDGING OF PROPERTY.** (a) Not inconsistently with the provisions of subsection (b) hereof, the Cooperative shall not sell, mortgage, lease or otherwise encumber or dispose of any of its property (other than merchandise and property which lie within the limits of an incorporated city or town, which shall represent not in excess of ten (10%) percent of the total value of the Cooperative's assets, or which in the judgment of the Board of Directors are not necessary or useful in operating the Cooperative) unless (1) authorized so to do by the votes cast in person by a least two-thirds (2/3) of its total membership, without proxies, and (2) the consent of the holders of seventy-five (75%) percent in amount of the Cooperative's outstanding bonds.

Notwithstanding the foregoing provisions of this section, the members of the Cooperative may, by the affirmative majority of the votes cast in person at any meeting of the members, delegate to the Board of Directors the power and authority, (1) to borrow monies from any source and in such amounts as the Board may from time to time determine, (2) to mortgage or otherwise pledge or encumber any or all of the Cooperative's property or assets as security thereof, and (3) to sell and lease back any of the corporation's



property or assets.

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

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

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

(3) If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof and

action thereon, which meeting shall be held not less nor more than ninety (90) days after the giving of such notice to the members: PROVIDED, that consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is held not less nor more than ninety (90) days after the giving of such notice.

(4) Any fifty (50) or more members, by so petitioning the Board not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing to alternative positions which they may have to the proposals that the Board has made. The provisions of this subsection (b) shall not apply to a sale, lease, lease-sale, exchange or other disposition to one or more other electric membership corporations if the substantive effect thereof is to merge or consolidate with such other one or more electric membership corporations.

**SECTION 8.02. DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION.** Upon the Cooperative's dissolution, any assets remaining after all liabilities or obligations of the Cooperative have been satisfied and discharged shall, to the extent practicable as determined by the Board of Directors and not inconsistent with the provisions of the fourth paragraph of Section 7.02 of these Bylaws, be distributed without priority among all persons who are or who have been members of the Cooperative for any period during its existence, on the basis that their respective patronage during such periods bears to the total receipts of the Cooperative since its inception; PROVIDED, HOWEVER, if in the judgment of the Board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of such surplus to one or more non-profit charitable or educational organizations that are exempt from Federal income taxation.

## **ARTICLE IX. FISCAL YEAR**

**SECTION 9.01. FISCAL YEAR.** The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the thirty-first (31) day of December of the same year.

## **ARTICLE X. SEAL**

**SECTION 10.01. SEAL.** The Cooperative Seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "CORPORATE SEAL, NORTH CAROLINA."

## **ARTICLE XI. BYLAWS AMENDMENTS**

These Bylaws may be altered, amended, or repealed by affirmative vote of a majority of the directors in office at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

## **ARTICLE XII. RULES OF PROCEDURE**

All meetings of the Board of Directors and members of the Cooperative shall be conducted and governed according to the latest edition of the Robert Rules of Order.

