

# Bylaws



**Halifax Electric  
Membership Corporation**

Revision November 22, 2011

HALIFAX ELECTRIC MEMBERSHIP CORPORATION  
BYLAWS

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**BYLAWS FOR  
HALIFAX ELECTRIC MEMBERSHIP CORPORATION**

**ARTICLE I - MEMBERSHIP**

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

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

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

**SECTION 1.04. Joint Membership.** A husband and wife, by specifically so requesting in writing, may be accepted into joint membership or, if one of them is already a member, may automatically convert such membership into a joint membership by jointly executing another membership application. The words “member,” “applicant,” “person,” “his” and “him,” as used in these Bylaws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing-(a) the presence at a meeting of either or both shall constitute the presence of one member, a joint waiver of notice of the meeting, and a revocation of any proxy executed by either or both; (b) the vote of 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 therefor; and (f) neither will be permitted to have any additional service connections except through their one joint membership.

**SECTION 1.05. Acceptance into Membership.** Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically become a member on the date of his connection for electric service: PROVIDED, that the Board of Directors may by resolution deny an application and refuse to extend service upon its determination that the applicant is not willing or is not able to satisfy and abide by the Cooperative’s terms and

conditions of membership or that such application should be denied for other good cause; PROVIDED FURTHER, that any person whose application, for sixty (60) days or longer, has been submitted to but not denied by the Board of Directors and who has not been connected by the Cooperative for electric service may be filing written request therefor with the Cooperative at least thirty (30) days prior to the next meeting of the members, have his application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and heard.

**SECTION 1.06. Purchase of Electric Power and Energy; Power Production by Member; Application of Payments to All Accounts.** The Cooperative shall use reasonable diligence to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership, unless and except to the extent that the Board of Directors may in writing waive such requirement; and shall pay therefor at the times, and in accordance with the rules, regulations, rate classifications and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative, any payment for service to him by the Cooperative shall be deemed to be allocated and credited on a pro rata basis to his outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and proration.

**SECTION 1.07. Excess Payments to be Credited as Member-Furnished Capital.** All amounts paid for electric service in excess of the cost thereof shall be furnished by members as capital, and each member shall be credited with the capital so furnished as provided in Article IX of these Bylaws.

**SECTION 1.08. Wiring of Premises; Responsibility Therefor; Responsibility for Meter Tampering or Bypassing and for Damage to**

**Cooperative Properties; Extent of Cooperative Responsibility; Indemnification.** Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the North Carolina Fire Insurance Underwriters Association, the Natural 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 shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his best efforts to prevent others from so doing. Each member shall also provide such protective devices to his premises, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative extend beyond the point of delivery. In addition, where telephone connections exist for the premises receiving electric service the member shall take all reasonable actions

required to make such telephone connection available to the Cooperative for transfer of data used in connection with the furnishing of electric service.

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

**SECTION 1.10 Contractual Obligations of Membership.** On application for and acceptance into membership, each member of the Cooperative, as a condition of membership, agrees to purchase electric power and energy from the Cooperative, acknowledges that the terms and provisions of the Cooperative's Charter documents 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, shall constitute and be a contract between the Cooperative and each member, and agrees to be bound by and comply with such contract to the same extent as if said member had individually signed a separate instrument containing such terms and provisions.

## **ARTICLE II - MEMBERSHIP SUSPENSION AND TERMINATION SECTION**

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

which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meetings of its members.

**SECTION 2.02. Termination by Expulsion; Renewed Membership.** Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 2.01, he may, without further notice, but only after due hearing if such is requested by him, be expelled by resolution of the Board of Directors at any subsequently held regular or special meeting of the Board. Any person so expelled may, by delivering written notice to that effect to the Cooperative at least ten (10) days prior to the next meeting of the members, appeal to and be present and heard at such meeting, which may vote approval of such expulsion or disapproval thereof, in which latter event such person's membership shall be reinstated retroactively to the date of his expulsion. After any finally effective expulsion of a member, he may not again become a member except upon new application therefor as provided in Sections 1.02 and 1.05. The Board of Directors, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all his membership obligations.

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

**SECTION 2.04. Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners.** Except as provided in Section 2.06, the death of an individual human member shall automatically terminate his membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership: PROVIDED, that upon the dissolution for any reason of 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, that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative.

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

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

**SECTION 2.07. Board Acknowledgment of Membership Termination; Acceptance of Members Retroactively.** Upon the termination of a person's membership for any reason, the Board of Directors, as soon as practicable after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination, effective as of the date on which the Cooperative ceased furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for, 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 III - MEETINGS OF MEMBERS**

**SECTION 3.01. Annual Meeting.** For the purposes of electing directors, hearing and passing upon reports covering the previous fiscal year, and

transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held on the third Saturday of the month of May each year, at such place in one of the counties in North Carolina within which the Cooperative serves, and beginning at such hour, as the Board of Directors shall from year to year fix: PROVIDED, that, for cause sufficient to it, the Board of Directors may fix a different date for such annual meeting not more than thirty (30) days prior or subsequent to the day otherwise established for such meeting in this Section. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for, and to encourage member attendance at, the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

**SECTION 3.02. Special Meetings.** A special meeting of the members may be called by the Board of Directors, or by not less than ten (10) percent of the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.03. Such a meeting shall be held at any place within one of the counties in North Carolina which the Cooperative serves, on such date, not sooner than forty (40) days after the call or request for such meeting is made, and beginning at such hour as shall be designated by those calling or requesting the same.

**SECTION 3.03. Notice of Member Meetings.** Written or printed notice of the place, day and hour of the meeting and, in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting shall be delivered to each member not less than fourteen (14) days nor, except as provided in Article XI, more than forty-five (45) days before the date of the meeting, by any reasonable means, by or at the direction of the President, the Secretary, or other officer or persons calling the meeting. Reasonable means of providing such notice shall include but not be limited to United States mail, personal delivery, the Cooperative's monthly newsletter, or member service billings. No matter the carrying of which, as provided by law or by the Cooperative's Certificate of Incorporation or Bylaws requires the affirmative votes of at least a majority of the then-total members of the Cooperative shall be acted upon at any meeting of the members unless notice of such matter shall have been contained in the notice of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid and postmarked at least fourteen (14) days before the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and non-intended failure of any member to receive such notice shall not invalidate

any action which may be taken by the members at any such meeting, and the attendance in person, or by proxy, of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection.

**SECTION 3.04. Quorum.** Attendance in person or by the submission of mailed ballots of at least one per cent (1%) of the total members of the Cooperative at any meeting of the members shall constitute a quorum for the purpose of electing directors. Unless otherwise established by the Board of Directors, attendance in person of at least one per cent (1%) of the total members of the Cooperative at any meeting of the members shall constitute a quorum for all other purposes. Once a quorum is established for election of directors, the result of the vote for directors may be announced despite the loss of a quorum. Once a quorum is established for all other purposes, all business may be transacted despite the loss of a quorum. If a quorum is not established, a majority of those present may adjourn the meeting to another time and date, not less than thirty (30) days later, to any place within Halifax County. The Secretary of the Cooperative, or his designee, shall notify all absent members of the time, place and date of the adjourned meeting by delivering notice thereof as provided in Section 3.03 of these bylaws. At all meetings of the members, the Secretary shall annex to the meeting minutes or incorporate therein by reference, a list of those who were present in person, by mailed-in ballot and by proxy where allowed.

**SECTION 3.05. Voting.** Each member who is not in a status of suspension, as provided for in Section 2.01, shall be entitled to one vote and no more upon each matter submitted to a vote at any meeting of the members. Voting by members other than natural persons shall be allowed upon presentation to the Cooperative prior to, or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote. Such evidence shall not be required in any voting by mailed ballots for election of Directors. No one may vote on behalf of more than one member which is not a natural person. At all meetings of the members, at which a quorum is present all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation or Bylaws. Members may not cumulate their votes.

Members shall vote for the election of Directors, and may vote for sale or lease-sale of the Cooperative assets in accordance with Section 11.01 of these Bylaws, by ballot mailed in or delivered to the address indicated in the

Notice of Meeting on or before the date and hour indicated in such Notice. Members shall not be permitted to vote in person for the election of Directors, but may attend and register and participate in all other proceedings of the meeting of the members to the fullest extent, including eligibility for door prizes, and including the voting in person on all other questions that come before the meeting of members. All elections of Directors shall be conducted so that the ballots will be return-mailed or delivered so as to assure that the way the vote is cast may not be determined and to assure that members vote only once. The counting of mail ballots shall be conducted by or under the direction of the Credentials and Election Committee prior to the meeting of the members. The results will not be revealed until certified by the Credentials and Election Committee and announced by the chair of the Committee during the meeting. The provisions of this Section shall not apply to the election of a Director to fill a vacancy or caused by the removal of a Director by the members, in which case the provisions of Section 4.10 (Removal of Directors by Members) shall be followed.

**SECTION 3.06. Proxies.** At any meeting of the members or any adjournment thereof, any member, including members which are associations, corporations, business trusts or bodies politic, may vote by proxy, but only if such proxy (a) is registered with the Secretary or his duly designated registrar, at the principal office of the Cooperative in Enfield, North Carolina, during office hours on or before the third business day next preceding the date of the meeting or any adjournment thereof, as the case may be, (b) is executed by the member in writing and designates the holder thereof, which holder shall be the member's spouse, an adult close relative (18 years or older) residing in the same household as a member or another member who is a natural person (holders of proxies of members which are associations, corporations, business trust or body politic shall present satisfactory evidence to the registrar pursuant to the registration requirement of this section that the person executing the proxy on behalf of said member, association, corporation, business trust or body politic is authorized to execute such proxy), (c) sets forth member's account number as shown on monthly electric service bill, and (d) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than thirty (30) days prior to the date of such meeting or any adjournment thereof; PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy of by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted

or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executes two or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at a meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. A person entitled under this Section may vote as proxy for an unlimited number of members on any matter the carrying of which, as provided by law requires the affirmative votes of a majority of the then total members of the Cooperative, but no person shall vote as proxy for more than five (5) members on any other matter. Notwithstanding the foregoing provisions of this section, whenever a member is absent from a meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member could vote if present in person, unless such member has given a written proxy to some other person eligible to vote such proxy. A proxy may provide for full power of substitution by the holder thereof, provided that the substitute named is qualified under the provisions of this Section and the substitution is registered prior to the closing of registration at the meeting during which said proxy is to be voted.

**SECTION 3.07. Credentials and Election Committee.** The Board of Directors shall, at least thirty-five (35) days before any meeting of the members, appoint a Credentials and Election Committee consisting of an uneven number of members, not less than five (5) or more than fifteen (15), and who are not members of the Nominating Committee or existing Cooperative employees, agents, officers, directors or known candidates for directors, and who are not close relatives (as hereinafter defined) or members of the same household thereof. In appointing the Committee, the Board shall have regard for equitable representation of the areas served by the Cooperative. The Committee shall elect its own chairperson 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, to pass upon all questions that may arise with respect to the registration of members in person and the authenticity and validity of mailed-in ballots and proxies, to oversee the counting of all ballots cast in any election or any other matter, to supervise the entire election and voting processes and the registration and voting areas, to pass upon all other questions that may arise with respect to the registration of members in person or by proxy, to rule upon the effect of any ballots or other vote irregularly or indecisively

marked or cast, to rule upon the questions that may arise relating to member voting and the election of Directors, to rule upon all other questions that may arise relating to member voting and the election and removal of Directors (including but not limited to the validity of petitions of nomination and election of Directors), and to pass upon any protest or objection filed with respect to any election or conduct affecting the results of any election. The Committee shall certify the results of all elections and other balloting. 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 chairperson, 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 any opposing evidence; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, which may be to affirm the election, to change the results of an election or to set aside the election. The Committee may not affirmatively act on any matter unless a majority of the Committee is present. The Committee's decision (as reflected by a majority of those actually present and voting) on all such matters covered by this Section shall be final.

Notwithstanding the filing of a protest or objection concerning any election of Directors following a certification by this Committee of the results of an election, those Directors so elected shall be seated and take office as members of the Board of Directors at the next regular or special meeting of the Board of Directors; PROVIDED, however, in the event this Committee, after hearing and deliberation, sets aside the election and orders a new election or changes the results of the election affecting any Director, the newly-elected Director shall be removed from the Board pending a new election if such is the case, or replaced by the person newly-certified by this Committee to be elected. If a new election is called, the incumbent Director who held the seat prior to election shall continue to hold office until a new election is conducted and the results certified by this Committee. Any action taken by the Board of Directors during the time that the newly-elected Director(s) who are ordered removed from the Board shall have held office shall not be affected by such removal and for purposes of such actions, the newly-elected/removed Board member(s) shall be deemed to have been duly and legally elected and serving at the time of such action.

**SECTION 3.08. Order of Business.** The order of business

at the annual meeting of the members and, insofar as possible, at all other meetings of the members shall be essentially as follows

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due mailing thereof, or of the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. General Manager's Annual Report.
5. Election of directors.
6. Presentation and consideration of reports of officers, directors and committees.
7. Unfinished business.
8. New business.
9. 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 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 quorum is first established.

Section 3.09. **Floor Resolutions.** Any member may submit a proposed resolution of matter for consideration at any meeting of the members, but no such matter may be acted upon by the membership unless notice of such resolution or matter shall have been contained in the notice of the meeting. Accordingly, resolutions and matters submitted by the membership to be acted upon at any meeting of the members must be submitted in writing to the Secretary of the Cooperative, or his designated representative, not less than thirty (30) days before the date of the meeting.

## **ARTICLE IV - DIRECTORS**

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

SECTION 4.02. **Qualifications.** No person shall be eligible to become or remain a director of the Cooperative who is an employee, a close relative

of an incumbent director or of an employee of the Cooperative, or is not a member of the Cooperative and receiving service therefrom at his primary residential abode in the State of North Carolina: PROVIDED, that the operating or chief executive of any member which is not a natural person, such as a corporation, church, etc., or his designee, shall, notwithstanding that he does not receive service from the Cooperative at his primary residential abode, or principal place of business, be eligible to become a director, from the Directorate District in which such member is located, if he or such designee (a) is in substantial permanent occupancy, direction or use of the premises served by the Cooperative, and (b) is a permanent and year-round resident within an area served by the Cooperative; BUT PROVIDED FURTHER, that no more than one (1) such person may serve on the Board of Directors at the same time. No person shall be eligible to become or remain a director of, or to hold any other position of trust in, the Cooperative who does not have the physical or legal capacity to enter into a binding contract on behalf of the Cooperative, or is in any way employed by or, substantially financially interested in a competing enterprise, or a business selling electric energy or supplies to the Cooperative, or a business substantially engaged in selling electrical or plumbing appliances, fixtures or supplies to primarily the members of the Cooperative. The individual must not be in any way involved with a private entity or public corporation to which the Cooperative makes substantial donations of either manpower or dollars, or in some other manner supports on a continual basis through significant contributions. Notwithstanding any of the foregoing provisions of this Section treating with close relative relationships, no incumbent director shall lose eligibility to remain a director or to be re-elected as a director if, during his incumbency as a director, he becomes a close relative of another incumbent director or of a Cooperative employee because of a marriage to which he was not a party. Each new director shall be required to complete the National Rural Electric Cooperative Association (NRECA) Director's Certification Course within three (3) terms, or nine (9) years, of serving as a director of the Cooperative. All seated directors, as of the adoption date of this provision of the Bylaws, shall be allotted the same period of time to receive their certification as a new director, with the time period commencing with the adoption date. Certification will be achieved by the completion of a minimum of two (2) required courses and one (1) optional credit course during each three (3) year term as a director, in order to be eligible to be nominated for reelection to the Board of Directors. All directors, whether NRECA certified or uncertified, shall be required to attend at least one (1) school, seminar, conference, Statewide or National Annual Meeting on a yearly basis. In addition, each director shall be required to attend either a

Statewide or National Annual Meeting once during each three (3) year term as a director. It is the responsibility of all directors to be present for all regular and called meetings of the Board of Directors in order to be considered as actively participating in the business of the Cooperative. No director shall miss more than three (3) consecutive meetings, or any four (4) meetings of the Board within any twelve month period, without resolution of approval from the balance of the Board of Directors. Upon establishment of the fact that a nominee for director lacks eligibility under this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the chairman presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. Upon the establishment of the fact that any person being considered for, or already holding, a directorship or other position of trust in the Cooperative lacks eligibility under this Section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause him to be removed therefrom, 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.

**SECTION 4.03. Election.** At each annual meeting of the members, directors shall be elected by secret mail-in ballots by the members: PROVIDED that, when the number of nominees does not exceed the number of directors to be elected from a particular Directorate District, balloting may be dispensed with in respect of that district and at the meeting, the Secretary shall cast one ballot for the nominee from that district or those districts who shall then be declared duly elected. Directors shall be elected by a plurality vote of the members. Drawing by lot shall resolve, when necessary, any tie vote.

**SECTION 4.04. Tenure.** Beginning with the election of Directors at the 2007 annual meeting of members, Directors shall be so nominated and elected such that one (1) Director shall be elected for a three (3) year term from or with respect to Directorate District Nos. 4, 6, and 8 one (1) Director for a three (3) year term from each of Directorate Districts Nos. 3, 5, and 7 at the next succeeding annual meeting; and one (1) Director for a three (3) year term from each of Directorate Districts Nos. 1, 2, and 8 at the next succeeding annual meeting, and so forth. Upon their election, Directors shall, subject to the provision of these Bylaws with respect to removal of Directors, serve until the annual meeting of the members of the year in which their terms expire or until their successors shall have been elected and shall have qualified. If for any reason an election of Directors shall not be held at an annual meeting of the members duly fixed and called

pursuant to these Bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special meeting or the next annual meeting of the members. Failure of an election for a given year shall allow the incumbents whose Directorships would have been voted on to hold over only until the next member meeting at which a quorum is present.

**SECTION 4.05. Directorate Districts.**

A. The geographical territory served by the Cooperative shall be divided into eight (8) Directorate Districts, each of which shall be represented by one (1) Director, with the exception of District Number 8 which shall be represented by two (2) Directors. The Directorate Districts are described by reference to the Halifax Electric Membership Corporation Mapping System map numbers as follows:

<b>Directorate District No.</b>	<b>Description</b>	<b>Number of Directors</b>
1	Map numbers 1125, 1126, 1127, 1140, 1141, 1142, 1144, 1145, 1146, 1157, 1158, 1159, 1160, 1161, 1162, 1163, 1164, 1165, 1173, 1174, 1175, 1176, 1177, 1178, 1179, 1180, 1181, 1189, 1190, 1191, 1192, 1193, 1194, 1195, 1196, 1197, 1198, 1199, 1200, 1208, 1209, 1210, 1211, 1212, 1213, 1214, 1215, 1218, 1219, 1220, 1221, 1222, 1223, 1227, 1228, 1229, 1231, 1232, 1233, 1234, 1237, 1238, 1239, 1240, 1242, 1243	1
2	Map numbers 1074, 1075, 1076, 1077, 1087, 1088, 1089, 1090, 1103, 1104, 1105, 1106, 1107, 1108, 1120, 1121, 1122, 1123, 1124, 1136, 1137, 1138, 1139, 1152, 1153, 1154, 1155, 1156, 1168, 1169, 1170, 1171, 1172, 1185, 1186, 1187, 1188	1
3	Map numbers 1063, 1072, 1073, 1085, 1086, 1101, 1102, 1116, 1117, 1118, 1119, 1133, 1134, 1135, 1150, 1151, 1166, 1167, 1183, 1184, 1202	1
4	Map numbers 1051, 1052, 1053, 1054, 1055, 1056, 1057, 1058, 1059, 1060, 1061, 1062,	

	1067, 1068, 1069, 1070, 1071, 1079, 1080, 1081, 1082, 1083, 1084, 1094, 1095, 1096, 1097, 1098, 1099, 1100, 1110, 1111, 1112, 1113, 1114, 1115, 1129, 1130, 1131, 1132, 1147, 1149	1
5	Map numbers 1010, 1011, 1022, 1023, 1033 1034, 2010, 2011	1
6	Map numbers 1007, 1008, 1009, 1019, 1020 1021, 2007, 2008, 2009	1
7	Map numbers 1001, 1002, 1003, 1004, 1005, 1006, 1013, 1014, 1015, 1016, 1017, 1018, 1024, 1025, 1026, 1027, 1028, 1029, 1030, 1031, 1032, 1035, 1038, 1039, 1040, 1041, 1042, 1043, 1044, 1045, 1046, 1047, 1048, 1049, 1050, 2001, 2002, 2003, 2004, 2005, 2006	1
8	The entire area as described in Districts 1-7 inclusive.	2

B. Notwithstanding the foregoing number of districts, district descriptions and number of district directors presently provided for in this section and the other sections of this Article IV, the Board of Directors may in their discretion, not less than ninety (90) days prior to the earliest date on which an annual member meeting may be scheduled pursuant to these Bylaws, review the districts and directorateships. If the Board determines that the boundaries or number of Districts should be altered or that the number of District directors should be increased or reduced, so as to correct any substantially inequitable factors regarding the residence of members, the number or the geographic location of Districts or the number of District directors, the Board shall amend these Bylaws accordingly and may, after such amendments become effective, appoint any additional directors provided for by such amendments, and may fix their respective initial terms, not to exceed three years. The Board of Directors shall cause all such amendments and the names, addresses and initial terms of any such newly appointed additional directors to be noticed in writing to the members not less than five (5) days prior to the date on which the Committee

on Nominations for the next annual member meeting shall first convene, and shall also, in timely advance of such Committee meeting, inform the members of the names, addresses and telephone numbers of the members of the Nominating Committee and of the date, hour and place of that Committee's first meeting.

From and after the date of notice of amendments, these Bylaws shall have been effectively amended accordingly; PROVIDED, that any change so made by action of the Board shall be in full force and effect until at least the completion of the election of directors at the annual meeting first held in accordance with such changes effectuated by the Board of Directors; AND PROVIDED FURTHER, that no such change shall become effective so as to compel the vacancy of any director's office prior to the time such director's term would normally expire unless such director consents thereto in writing.

**SECTION 4.06. Nominations.** It shall be the duty of the Board of Directors to appoint, not less than one hundred fifteen (115) days prior to the date of a meeting of the members at which directors are to be elected, a Committee on Nominations, consisting of eight (8) members of the Cooperative who are not existing cooperative employees, agents, officers, directors or known candidates for director, who are not close relatives (as hereinafter defined) or members of the same household thereof, and who are so elected that each of the directorate districts Nos. 1 through 8 shall have one representative thereon. The Committee shall prepare and post at the principal office of the cooperative at least sixty (60) days before the meeting a list of nominations for directors to be elected, listing separately the nominee(s) with respect to each Directorate District or at-large Directorate from which a director must, pursuant to this Article, be elected at the meeting. The Committee may include as many nominees for any director to be elected with respect to any Directorate District or at-large Directorate as it deems desirable.

Any thirty (30) or more members of the Cooperative, acting together, may make additional nominations in writing over their signatures, listing their nominee(s) in like manner, by indicating the district in which their nominee(s) shall be considered, the incumbent, if one exists in that district, the member's full name printed legibly, their member number and legal signature, not less than sixty (60) days prior to the meeting, and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted.

The Secretary shall mail to the members with the notice of the meeting, or separately, a ballot stating the names of the nominees by the Nominating Committee or by petition received at least sixty (60) days before the meeting, their address, and the directorate district. If requested to do so, the Secretary shall include with the mailing a brief biography and/or

statement by the nominee in a form approved by the Board of Directors which shall be not more than two hundred fifty (250) words in length and which shall be authorized by the signature of the nominee. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of directors.

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

**SECTION 4.08. Removal of Directors by Members.** Any member may bring one or more charge(s) for cause against any one or more director(s) 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 (10%) percent of the then-total members of the Cooperative which petition calls for a special member meeting the stated purpose of which shall be to hear and act upon such charge(s) and, if one or more directors are recalled, to elect their successor(s), and which specifies the place, time and date thereof not sooner than forty (40) days after filing of such petition, or which requests that the matter be acted upon at the subsequent annual member meeting if such meeting will be held no sooner than forty (40) days of the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s), address(es) and account number as appears on monthly electric service bill 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 he is billed by the Cooperative and shall state the signatory's address and account number 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) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than seven (7) days prior to the member meeting at which the matter will be acted

upon: PROVIDED, that the notice shall set forth (in alphabetical order) only twenty (20) of the names of the members filing one or more charges 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 charges are to be considered, and 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 charges(s); and the member(s) bringing the charge(s) shall have the same opportunity, but must 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 any vacancy created by such removal shall be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor: PROVIDED, that the question 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. A newly elected director shall be from or With respect to the same Directorate District or at-large Directorate as was the director whose office he succeeds and shall serve the unexpired portion of the removed director's term.

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

**SECTION 4.10. Compensation; Expenses.** Directors shall, as determined by resolution of the Board of Directors, receive on a per diem basis a fixed fee, which may include insurance benefits, for attending meetings of the Board of Directors and, when such has had the prior approval of the Board of Directors for otherwise performing their duties. The fee or fees fixed for otherwise performing their duties need not be the same as the fee fixed for attending meetings of the Board of Directors. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred, in performing their duties. No close relative of a director shall be employed by the Cooperative and no director shall receive compensation for serving the Cooperative in any other capacity, unless the employment of such rela-

tive or the service of such director is temporary and shall be specifically authorized by a vote of the members upon their resolved determination that such was an emergency measure: PROVIDED, that a director who is also an officer of the Board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the unanimous vote of the remaining directors; AND PROVIDED FURTHER, that an employee shall not lose eligibility to continue in the employment of the Cooperative if he becomes a close relative of a director because of a marriage to which he was not a party.

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

**SECTION 4.12. Accounting System and Reports.** The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of such year. A full and accurate summary of such audit reports shall be submitted to the members at 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 4.13. Subscription to Cooperative's Newsletter, "Hali-Facts"; 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 provide the Cooperative's Newsletter, "Hali-Facts," the annual subscription price for 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 members periodically, to subscribe to "Carolina Country," the annual subscription price for 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 4.14. **“Close Relative” Defined.** As used in these Bylaws, “close relative” means a person who, by blood or in law, including step, half, foster and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece of the principal.

## ARTICLE V - MEETINGS OF DIRECTORS

SECTION 5.01. **Regular Meetings.** A regular meeting of the Board of Directors shall be held, without notice, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual member meeting. A regular meeting of the Board of Directors shall also be held monthly at such date, time and place in one of the counties in North Carolina within which the Cooperative serves as the Board 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 a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board; AND PROVIDED FURTHER that, if a policy therefore is established by the Board, the President may change the date, time or place of a regular monthly meeting for good cause and upon at least five (5) days’ notice thereof to all directors.

SECTION 5.02. **Special Meetings.** Special Meetings of the Board of Directors may be called by Board resolution, by the President, or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03. The Board, the President, or the directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties in North Carolina within which the Cooperative serves, unless all directors consent to its being held in some other place in North Carolina or elsewhere. Special meetings, upon proper notice as otherwise provided in Section 5.03, may also be held via telephone conference call, without regard to the actual location of the directors at the time of such a telephone conference meeting, if all the directors consent thereto.

SECTION 5.03. **Notice of Directors Meetings.** Written notice of the date, time and 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 deliv-

ered to each director not less than five (5) days prior thereto, either personally or by mail, by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by him or those calling it in the case of a special meeting or by any other director or officer in the case of any meeting whose date, time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at his address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days 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 5.04. Quorum.** The presence in person of a majority of the directors in office shall be required for the transaction of business and the affirmative votes of a majority of the directors present and voting shall be required for any action to be taken: PROVIDED, that a director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of directors in office or present; AND PROVIDED FURTHER that, if less than a quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause the absent directors to be duly and timely notified of the date, time and place of such adjourned meeting.

## **ARTICLE VI - OFFICERS; MISCELLANEOUS**

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

**SECTION 6.02. Election and Term of Office.** The four officers named in Section 6.01 shall be elected annually and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as convenient. Each such officer shall hold office until the meeting of the Board first held after the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of the Bylaws with respect to the removal of directors by the members and to the removal of officers by the Board

of Directors. No officer named in Section 6.01 shall serve more than three consecutive one year terms in a particular office. Any other officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

**SECTION 6.03. Removal.** Any officer, agent or employee elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served.

**SECTION 6.04. Vacancies.** A vacancy in any office elected or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term.

**SECTION 6.05. President.** The President shall-

1. be the principal executive officer of the Board and shall preside at all meetings of the Board of Directors, and, unless determined otherwise by the Board of Directors, at all meetings of the members;
2. sign, with the Secretary, certificates of membership the issue of which shall have been authorized by resolution of the Board of Directors, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
3. in general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

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

**SECTION 6.07. Secretary.** The Secretary shall-

1. 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;
2. see that all notices are duly given in accordance with these Bylaws or as required by law;
3. 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;

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. sign, with the President, certificates of membership the issue of which shall have been authorized by resolution of the Board of Directors;
6. have general charge of the books of the Cooperative in which a record of the members is kept;
7. 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
8. in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 6.07.1. Assistant Secretary.** The Board of Directors may appoint an Assistant Secretary who shall perform such duties as may from time to time be designated by the Board of Directors. Said Assistant Secretary shall also have the power to attest any contracts, deeds or other instruments executed in the name of the Corporation by the President or Vice President.

**SECTION 6.08. Treasurer.** The Treasurer shall-

1. have charge and custody 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 such monies in the name of the Cooperative in such bank or banks or securities as shall be selected in accordance with the provisions of these Bylaws; and
3. in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 6.08.1. Assistant Treasurer.** The Board of Directors may appoint an Assistant Treasurer who shall have such powers and perform such duties as may be delegated to him by the Board of Directors.

**SECTION 6.09. Delegation of Secretary's and Treasurer's Responsibilities.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6.07 and 6.08, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one or more agents, other officers or employees of the Cooperative who are not directors. To the extent that the Board does so delegate with respect to either such officer, that officer as such shall be released from such duties, responsibilities and authorities.

**SECTION 6.10. General Manager; Executive Vice President.** The Board of Directors may appoint a general manager, who may be, but who shall not be required to be, a member of the Cooperative, and who also may be designated Executive Vice President. He shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to time vest in him.

**SECTION 6.11. Bonds.** The Board of Directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

**SECTION 6.12. Compensation; Indemnification.** The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be determined as provided in Section 4.10 of these Bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed or a plan therefor approved by the Board of Directors. The Cooperative shall indemnify present and former directors, officers, including the General Manager (or, if so titled, the Executive Vice President) agents and employees against liability to the extent that their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and, if actionable at all, were based upon good faith business judgments in the belief the acts or omissions were in the best interests of the Cooperative or were not against the best interest of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

**SECTION 6.13. Reports.** The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

## ARTICLE VII - CONTRACTS, CHECKS AND DEPOSITS

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

SECTION 7.02. **Checks, Drafts, etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness, issued in the name of the Cooperative, shall be signed or countersigned by such officer, agent or employee of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 7.03. **Deposits; Investments.** All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the Board of Directors may select.

## ARTICLE VIII - MEMBERSHIP CERTIFICATES

SECTION 8.01. **Certificate of Membership.** Membership in the Cooperative may, if the Board so resolves, be evidenced by a certificate of membership, which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Cooperative's Certificate of Incorporation or its Bylaws. Such certificate, if authorized to be issued by the Board, shall be signed by the President and by the Secretary, and the seal shall be affixed thereto: PROVIDED, that the seal and the signatures of the President and the Secretary may be imprinted thereon by facsimile.

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

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

## ARTICLE IX - NON-PROFIT OPERATION

SECTION 9.01. **Interest or Dividends on Capital Prohibited.** The

Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

**SECTION 9.02. Patronage Capital in Connection with Furnishing Electric Energy.**

A. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all members will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis, the Cooperative is obligated to account on a patronage basis to all its members 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 members as capital. The Cooperative is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to his account. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts of capital. Notwithstanding any provision of this Article IX, the amount to be credited to the capital of members on account of their patronage shall be not less than the greater of alternative minimum taxable income or regular taxable income resulting from their patronage as determined under Federal income tax law.

B.

1. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members.
2. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Co-

operative will not be impaired thereby, the capital then credited to members' accounts may be retired in full or in part as follows:

- (a) By a general retirement as directed by the Board of Directors pursuant to a resolution establishing the method, basis, priority and order of making such retirement.
- (b) On the death of any member who is a natural person, upon request in writing that the capital credited to such member be retired prior to the time such capital would otherwise be retired by general retirement, such application to be made by the legal representative of that member's estate;
- (c) On dissolution of a corporate member or other member who is not a natural person, upon request in writing that the capital credited to the member be retired prior to the time such capital would otherwise be retired by general retirement, such application to be made by the party or parties entitled to the assets of that corporation or other member who is not a natural person upon dissolution;
- (d) Upon voluntary termination of all electric service of the member if the member shall request in writing that the capital credited to such member be retired prior to time such capital would otherwise be retired by general retirement;
- (e) Upon involuntary termination of all electric service of the member pursuant to the policies of the Board of Directors;
- (f) By such other procedures as may be directed by the Board of Directors;

Unless otherwise provided by the Board of Directors, any general retirement of capital credits shall be made in order of priority according to the year which capital was furnished and credited, the capital first received by the Cooperative being first retired. Any other retirement shall be on a discounted basis, the discount rate to be determined by the Board of Directors using a discount period equal to the number of years of patronage capital then outstanding. All amounts of capital allocated to members but retained by the Cooperative after retirements on a discounted basis shall be considered a contribution of capital to the Cooperative and part of the "net savings" of the Cooperative. "Net savings" of the Cooperative will not be reallocated as excess margins to any former or current Cooperative members.

- C. The Board of Directors shall have the power to adopt the rules providing for the separate retirement of that portion of capital credited to the accounts of members which cor-

responds to capital credited to the account of the Cooperative by an organization furnishing “power supply” or any other service or supply to the Cooperative. Such rules shall:

1. Establish a method for determining the portion of such capital credited to each member for each fiscal year.
  2. Provide for separate identification on the Cooperative’s books of such portions of capital credited to the Cooperative’s members;
  3. Provide for appropriate notification to members with respect to such portions of capital credited to their accounts; and,
  4. Preclude a general retirement of such portions of capital credited to members for any fiscal year prior to the general retirement of other capital credited to members for the same year or any capital credited to members for any prior fiscal year.
- D. Before retirement of any capital credit to any member’s account, the Cooperative shall have the right to deduct there from any amount owing by such member to the Cooperative, for any reason whatsoever, including bankruptcy, together with interest thereon at the legal rate established in North Carolina in effect when such amount became overdue, compounded annually.
- E. Capital credited to the account of each member shall be assignable only on the books of the Cooperative pursuant to written instructions from a member or the duly qualified legal representative of his estate and only to successors in interest or successors in occupancy in all or a part of such member’s premises served by the Cooperative, unless the Board of Directors, acting under policies of general application, shall determine otherwise.

**SECTION 9.03. Other Income and Amounts Received by the Cooperative.** Funds and amounts, other than operating margins received from the furnishing of electric energy, that exceed the Cooperative’s costs and expenses may be:

- A. allocated as capital credits to members in the same manner as the Cooperative allocates capital credits to members; or
- B. used by the Cooperative as permanent, non-allocated capital.

**SECTION 9.04. Assignment and Contribution by Failure to Claim.** Notwithstanding any other provision of the Cooperative’s bylaws, membership agreement, or any other document, a member or former member must make an election to receive any cash retirement of capital credits or other payment from the Cooperative, including any refund of a security deposit or other refund. If any member or former member fails to make such election

within one (1) year after notice of the same has been mailed to the member or former member at his or her last address furnished by the member or former member to the Cooperative, the failure shall be and constitutes an assignment and contribution by the member or former member, of the capital credits payment or refund to the Cooperative. The one (1) year period shall begin as of the date of mailing of the notice to the member or former member. Failure to make an election to receive a payment within the meaning of this section shall include the failure of a member or former member to return a request for such election mailed to him or her by the Cooperative. At the conclusion of the one (1) year period after mailing of a notice of election, the Cooperative shall give notice by mail or publication that unless response is made by the member or former member, within a sixty (60) day period, the contribution to the Cooperative shall become effective. Any mailed notice shall be mailed by the Cooperative to the member or former member at the last known address provided by the member or former member to the Cooperative. If notice by publication is given, the publication shall be in a newspaper circulated in the service area of the Cooperative, which may be the Cooperative's newsletter. The sixty (60) day period following the giving of the notice either by mail or publication shall be deemed to terminate sixty (60) days after the date of mailing or publication of the notice. The assignment and contribution provided for under this section shall become effective only after expiration of the one (1) year period beginning with notice to the member and compliance with the notice requirements of this section. Any contribution made pursuant to this bylaw provision shall be a contribution of capital to the Cooperative and considered part of the "net savings" of the Cooperative, and none of the contributions made pursuant to this bylaw provision will be reallocated as excess margins to any of the Cooperative's former or current members.

## **ARTICLE X - WAIVER OF NOTICE**

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

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

### **SECTION 11.01. Disposition and Pledging of Property.**

A. Not inconsistently with the provisions of subsection B hereof, the

Cooperative shall not sell, mortgage, lease or otherwise encumber or dispose of any of its property (other than merchandise and property which lie within the limits of an incorporated city or town, which shall represent not in excess of ten (10%) percent of the total value of the Cooperative's assets, or which in the judgment of the Board of Directors are not necessary or useful in operating the Cooperative) unless authorized so to do by the votes of at least a majority of its total membership and by the consent of the holders of seventy-five (75%) percent in amount of the Cooperative's outstanding bonds, except that the members of the Cooperative may, by the affirmative majority of the votes cast in person, or by proxy, at any meeting of the members, delegate to the Board of Directors the power and authority (1) to borrow monies from any source and in such amounts as the Board may from time to time determine to and (2) to mortgage or otherwise pledge or encumber any or all of the Cooperative's property or assets as security therefor.

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 lies within the limits of an incorporated city or town or which in the judgment of the Board of Directors are not necessary or useful in operating the Cooperative) to any other entity shall be authorized except in conformity with the following:

1. If the Board of Directors looks with favor upon any proposal for such sale, lease, lease-sale, exchange or other disposition, it shall first cause three (3) independent appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange or other disposition and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be designated by a Superior Court Resident Judge for the Judicial District in North Carolina in which the Cooperative's headquarters is located. If such judge refuses to make such designations, they shall be made by the Board of Directors.
2. If the Board of Directors, after receiving such appraisals (and other terms and conditions which are recommended, if any), determines that the proposal should be submitted for consideration by the members, it shall first give every other electric membership corporation corporately sited

and operating in North Carolina (which has not made such an offer for such sale, lease, lease-sale, exchange or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric membership cooperations, which notice shall be attached to a copy of the proposal which the Cooperative has already received and a copy of the report(s) of the three (3) appraisers. Such electric membership corporations shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

3. If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof, which meeting shall not be held sooner than ninety (90) days after the giving of such notice to the members: PROVIDED, that consideration thereof by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is not held sooner than ninety (90) days after the giving of such notice to the members: PROVIDED, that consideration thereof by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is not held sooner than ninety (90) days after the giving of such notice.
4. Any fifty (50) or more members, by so petitioning the Board not less than thirty (30) days 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 or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made. The provisions of this subsection (b) shall not apply to a sale, lease, lease-sale, exchange or other disposition to one or more other electric membership corporations if the substantive effect thereof is to merge or consolidate with such other one or more electric membership corporations.

**SECTION 11.02. Distribution of Surplus Assets on Dissolution.**

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

## **ARTICLE XII - FISCAL YEAR**

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

## **ARTICLE XIII - RULES OF ORDER**

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

## **ARTICLE XIV - SEAL**

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

## **ARTICLE XV - AMENDMENTS**

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

