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CENTRAL ELECTRIC MEMBERSHIP CORPORATION

Headquarters located in Sanford, North Carolina

Central Electric Membership Corporation is a cooperative enterprise organized and chartered on the 25th day of June, 1941 under and pursuant to Chapter 291, Public Laws 1935 of North Carolina. The aim of Central Electric Membership Corporation is to make electric energy available to its members at the lowest cost consistent with sound economy and prudent management. Central Electric Membership Corporation is governed by a Board of Directors who are elected by the members.

BOARD OF DIRECTORS

Rebecca G. Cogan..... President
John “Tommy” Dalrymple..... Vice President
James B. Brooks..... Secretary-Treasurer
W. Phillip Thompson..... Assistant Secretary

L. Frank Comer, III Edith C. Cox Henry Randolph
Dr. Nancy G. Holmes Timothy W. Priest Carl H. Outz, Jr.

FORMER BOARD MEMBERS

Henry A. Cooper*	Cameron Johnson
John B. Jones*	J. Marvin Blakely
W. H. Garner*	Arthur D. Phillips
J. Walker Thomas*	Will W. Tillman
E. A. Marion*	Hector L. West
Raymond D. Comer*	L. Gilbert Clark
J. Prentiss Dalrymple*	James W. Paschal
W. Ernest Horne*	Henry E. Jones
I. L. Holleman*	William B. Hulsey, Jr.
William C. Dalrymple	Thomas J. Wilson
Johnnie J. Chalmers	L. Frank Comer, Jr.
	James D. Springle
	R.G. Wadsworth, Jr.

*Charter Members

MEMBERSHIP

SECTION 1.01. Eligibility. Any natural person, firm, association, corporation, business trust, partnership 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 Central Electric Membership Corporation (hereinafter call the “Cooperative”). **No person shall hold more than one membership in the Cooperative.**

SECTION 1.02. Application for Membership; Renewal of Prior Application. Application for membership - wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of the provisions of the Cooperative’s certificate of incorporation and bylaws, and all rules, regulations and rate schedules established pursuant thereto, as all the same then exist or may thereafter be adopted or amended (the obligations embraced by such agreement being hereinafter called “membership obligations”) - shall be executed in writing by the applicant on such form as is provided therefore by the Cooperative. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefore by the Cooperative. The membership application shall be accompanied by the membership fee and such connection fee as is provided by the Board of Directors (together with any signed supplemental contract and/or service security deposit that may be required by the Cooperative), which fees and deposit, if any, shall be refunded in the event the application is not approved. Any former member of the Cooperative may, by the sole act of paying a new membership fee, a new connection fee and any service security deposit required by the Cooperative, together with any outstanding account owed by him to the Cooperative, renew and reactivate any prior application for membership to the same effect as though the application had been newly executed on the date of such payment.

SECTION 1.03. Membership Fee; Connection Fee. The membership fee shall be Five (\$5.00) Dollars. In addition, for each service connection, the member shall pay such connection fee as is provided for by the Board of Directors acting under policies of general application.

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, convert such membership into a joint membership. 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, condition, responsibilities and liabilities of membership shall apply equally to them. Without limiting the generality of the foregoing--

- (a) the presence at a meeting of either or both shall constitute the presence of one member, a joint waiver of notice of the meeting, and a revocation of any proxy executed by either or both;
- (b) the vote of, or a proxy executed by, either or both shall constitute, respectively, one joint vote or proxy: PROVIDED, that if both be present but in disagreement on such vote, each shall cast only one half (1/2) vote; AND PROVIDED FURTHER, that if each executes a separate proxy, the one most recently executed shall revoke the former and shall constitute their sole joint proxy; or, if each executes a separate proxy on the same date, the holder or holders thereof shall cast only one-half (1/2) vote in respect of each;
- (c) notice to, or waiver of notice signed or otherwise effected 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; and
- (e) each, but not both concurrently, shall be eligible to serve as an officer or director of the Cooperative, but only if both meet the qualifications required therefore.

SECTION 1.05. 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 shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership, in the same manner and to the same effect as though such membership had never been joint: PROVIDED, that the other spouse shall not be released from any debts due the Cooperative.

SECTION 1.06. Acceptance into Membership. Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically be accepted into the membership in, and become eligible to receive electric service from, the Cooperative, unless the Board of Directors shall determine that such applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application should be rejected for other good cause: PROVIDED, that any person whose application, for sixty (60) days or longer, has

been submitted to but not approved by the Board of Directors may, by filing written request therefore with the Cooperative at least thirty (30) days prior to the next annual meeting of the members, have his application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

SECTION 1.07. 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, 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 1.08. 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 1.09. Wiring of Premises; Responsibility Therefor; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties. Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the North Carolina Fire

Insurance Underwriters Association, the National Electrical Code, any applicable state code or local government ordinances, and of the Cooperative. Each member shall be responsible for - and shall indemnify the Cooperative and any other person against death, injury, loss or damage resulting from any defect in or improper use or maintenance of - 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 for inspection, maintenance, replacement, relocation or repair thereof 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, apparatus 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 which member's reasonable care and surveillance could have prevented such, the member shall indemnify the Cooperative and any other person against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. In no event shall the responsibility of the Cooperative extend beyond the point at which its service wires are attached to the meter base or meter service wires. The Cooperative shall, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures.

SECTION 1.10. Member to Grant Easements to Cooperative if Required. Each member shall, upon being requested to do so by the Cooperative executive, and execute Cooperative grants of easement or right-of-way over, under and on such lands owned by 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.

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 the amounts due the Cooperative or to cease any other non-compliance with his membership obligation, a person's membership shall automatically be suspended; and he shall not during such suspension be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, and/or cessation of any other non-compliance with his membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the membership, in which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at meetings of its members.

SECTION 2.02. Termination by Board Meeting Expulsion; Renewed Membership. Upon the failure of a suspended member to be automatically reinstated to membership, as provided in Section 2.01, he may, without further notice but only after due hearing before the Board of Directors if such is requested by him, be expelled by the affirmative votes of not less than two thirds (2/3rds) of the entire 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 Annual or Special 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 later event such person's Membership shall be reinstated retroactively to the date of his expulsion by the Board. After any finally effective expulsion of a member, he may not again become a member except upon new application therefor duly approved as provided in Section 1.06. The Board of Directors, upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all his membership obligations.

SECTION 2.03. Termination by Withdrawal or Resignation. A member shall withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to (or, with the approval of the Board of Directors, resigning 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) 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 a Remaining Partner. Except as provided in Section 1.05, 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 withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining partner or partners as continue to own or directly to occupy or use the premises being furnished electric service pursuant to such membership.

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 any service security deposit he has paid the Cooperative, less any amounts due the Cooperative; but neither he nor his estate, as the case may be, nor any former partner of a partnership member or 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 receive 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. Board Acknowledgement of Membership Termination; Acceptance of Members Retroactively. Upon the termination of a person's membership for any reason, the Board of Directors, so soon as practicable after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination effective as of the date on which the Cooperative ceased furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for, 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
MEETING 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 first Friday of the month of October of each year, at such place in one of the Counties of Lee, Moore, Chatham and Harnett, State of North Carolina, and beginning at such hour, as the Board of Directors shall from year to year fix: **PROVIDED**, that for good cause the Board of Directors may fix a different date for such annual meeting not more than thirty (30) days prior or subsequent to the date established for such meeting in this Section. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for and to encourage member attendance at the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02. Special Meetings. A special meeting of the members may be called by resolution of the Board of Directors or upon written request signed by any three (3) directors or by at least five (5%) per centum 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 such place in one of the Counties named in Section 3.01, on such date, and beginning at such hour as shall have been designated by those calling 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, except as provided in Article XI, be delivered to each member not less than seven (7) days nor more than forty-five (45) days prior to 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 of business the carrying of which, as provided by law, requires the affirmative votes of at least a clear majority of all the Cooperative's members shall be acted upon at any meeting of the members unless notice of such matter shall have been contained in the notice of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid

and, whether mailed first-class or not, postmarked at least seven (7) days before to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and non-intended failure of any member to receive such notice shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection.

SECTION 3.04. Quorum. Attendance in person of at least two (2%) per centum of the total members of the Cooperative shall be required for the transaction of business at any meeting of the members. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date at least fifteen (15) days later and to any place within one of the Counties named in Section 3.01: PROVIDED, that the Secretary shall notify any absent members of the new time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03. At all meetings of the members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those who were present in person and by proxy.

SECTION 3.05. Credentials and Election Committee. The Board of Directors shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee consisting of an uneven number of members, not less than five (5) nor more than fifteen (15), who are not, and who are not close relatives or members of the same household of, existing directors or known candidates for directors to be elected at such meeting. In appointing the Committee, the Board shall have regard for equitable representation of the several areas served by the Cooperative. It shall be the responsibility of the Committee to pass upon all questions that may arise with respect to the registration of members in person or by proxy, to count all ballots cast in any election or in any other ballot vote taken, and to rule upon the effect of any ballots irregularly marked. The Committee's decisions on all such matters shall be final.

SECTION 3.06. Voting. Each member who is not in a status of suspension, as provided for in Section 2.01, shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members.

A member which is an association, corporation, business trust or body politic may be present in person and vote at such a meeting by and through a duly designated representative, qualified as such upon registering for the meeting. At all meetings of the members at which a quorum is present all questions shall be decided by a majority of the members voting thereon in person or by proxy, except as otherwise provided by law or by the Cooperative's certificate of incorporation or bylaws.

SECTION 3.07. 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 before or at the time of the meeting or any adjournment thereof, or, if such proxy is to be voted on any matter the carrying of which requires the affirmative votes of a clear majority of all the Cooperative's members, is registered with the Cooperative, at its principal office in Sanford, 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 one and only one holder thereof, which holder shall be either the member's spouse, or an adult relative living in the same household, or another member who is a natural person, (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted, and (d) is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof: PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself designates otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed 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 other; 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 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 clear majority of all the Cooperative's members; but no person shall vote as proxy for more than five (5) members on any other matter.

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) Presentation and consideration of reports of officers, directors and committees.
- (5) Election of directors.
- (6) Unfinished business.
- (7) New business.
- (8) Adjournment.

Notwithstanding the foregoing, the Board of Directors or the members themselves 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 items of business. Additional agenda item or items of business may be added for discussion at the annual member meeting, if a request for the same is made in writing to the Cooperative's principal office in Sanford, North Carolina, by at least ten (10%) percent of the members entitled to vote at the meeting, and the request is received by the Cooperative's secretary or president at least sixty (60) days prior to the annual meeting. In no event though shall an additional item of business be considered at the annual meeting if the proposed item may not lawfully or properly be considered and determined by the members. If the board determines that the members' request is improper, the board's decision shall be communicated to the first member whose name appears in the written request, 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.

ARTICLE IV DIRECTORS

SECTION 4.01. General Powers. The business of the Cooperative shall be managed by a Board of ten (10) directors, which shall exercise all the powers of the Cooperative except such as are by law or by the Cooperative's certificate of incorporation or bylaws conferred upon or reserved to the members.

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

- (a) While serving on the Board or during the ten (10) years preceding his or her nomination thereto shall have been finally adjudged to be guilty of a felony; or
- (b) Are or become a close relative of an incumbent director or of an employee of the Cooperative, PROVIDED, no incumbent director shall lose eligibility to remain a director or to be re-elected as a director if he or she becomes a close relative of another incumbent director or of a Cooperative employee because of marriage to which he or she was not a party; or
- (c) Have not continuously been, for at least one (1) year prior to his or her nomination, or who have ceased after his or her election to be, a member in good standing of the Cooperative, receiving service therefrom at his or her primary residential abode in the Directorate District from which he or she is elected, PROVIDED, that the operating or chief executive of any member which is not a natural person, such as a corporation, church, etc., or his or her designee, shall, notwithstanding that he or she does not receive service from the Cooperative at his or her primary residential abode, be eligible to become a director, from the Directorate District in which such member is located, if he (or she) or such designee (1) is in substantial permanent occupancy, direction or use of the premises served by the Cooperative, and (2) is a permanent and year-round resident within or in close proximity to an area served by the Cooperative, BUT PROVIDED FURTHER, that no more than one (1) such person may serve on the Board of Directors at the same time; or
- (d) Are removed by a majority vote of the remaining directors, in accordance with the procedures hereinafter set forth, or removed by the membership pursuant to 4.08; or
- (e) Are not at least eighteen (18) years old; or

- (f) Are or within the past ten years have been employed by the Cooperative; or
- (g) Are or within the past ten years have been employed by any subsidiary of the Cooperative; or
- (h) Are or within the past ten years have been employed by any cooperative, corporation, limited liability company or other organization or legal entity in which the Cooperative is a member; or
- (i) Are or within the past ten years have been employed by any cooperative, corporation, limited liability company or other organization or legal entity in which the Cooperative is a stockholder owning or in control of two percent or more of the outstanding interest in such entity; or
- (j) Are or within the past ten years have been in any way: (1) employed by or hold a substantial financial interest in a competing enterprise, or (2) employed by or hold a substantial financial interest in a vendor selling supplies to the Cooperative or a contractor providing services for or to the Cooperative;
- (k) Are or within the past ten years have been in any way employed by or hold a substantial financial interest in a business selling electric energy to the Cooperative or a business substantially engaged in selling electrical or plumbing appliances, fixtures, supplies or wiring primarily to the members of the Cooperative.
- (l) Are or within the past ten years have been employed by, or worked primarily as a consultant to any other electric, telephone, natural gas or other utility company, including generation companies and power marketers, or any trade association or governmental agency or entity which deals with utility services including, but not limited to, other electric membership corporations, investor-owned utilities or municipally-owned utilities, regardless of the length of such employment and regardless of the reason(s) for leaving or terminating such employment.

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

Upon establishment of the fact that a nominee for director lacks eligibility under this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the chairman presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. Upon the establishment of the fact that any person being

considered for, or already holding, a directorship or other position of trust in the Cooperative lacks eligibility under this Section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause him to be removed therefrom, whichever be the case. Nothing contained in this Section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more of the directors have an interest adverse to that of the Cooperative.

Any director who shall have served at least five (5) full three-year terms on the Board, and who vacates his office as a director for any reason (except for removal by the members for cause), shall if he so requests, become a Director Emeritus of the Board, eligible to attend all meetings of the Board and obligated to attend any meeting for which the Board requests his presence. A Director Emeritus shall have the same rights with respect to hospitalization and other insurance as regular members of the Board. For each meeting of the Board he attends at the request of the Board, he shall receive the same per diem and expenses as paid to regular members of the Board.

SECTION 4.03. Election. At each annual meeting of the members, directors shall be elected by secret ballot, by the members and from among those members who are natural persons: PROVIDED, that, when the number of nominees does not exceed the number of directors to be elected from a particular Directorate District and if there be no objection, balloting may be dispensed with in respect of that District and voting may be conducted in any other proper manner. Directors may, unless the members determine otherwise in advance of the initial balloting, be elected by a plurality vote of the members in attendance. Drawing by lot shall resolve, where necessary, any tie votes.

Section 4.04. Tenure. Directors shall be so nominated and elected that, beginning with the 1969 annual meeting of the members, three (3) directors shall serve a term of one (1) year, three (3) shall serve a term of two (2) years, and three (3) shall serve a term of three (3) years; and, beginning with the 1970 annual meeting of the members, and at each meeting thereafter, the same number of directors that corresponds with the number whose terms are expiring shall be elected to serve a term of three consecutive years; PROVIDED that, it is acknowledged that the Cooperative created a tenth (10th) directorate seat for Harnett County in 2007, and the Board of Directors appointed an individual to serve in that seat for an initial term terminating in 2008; This tenth (10th) director shall thereafter be elected, beginning at the 2008 annual member meeting for

a term of three consecutive years; PROVIDED further, that the terms of no two directors from the same Directorate District shall coincide. Upon their election, directors shall, subject to the provisions of these bylaws with respect to the removal of directors, serve until the annual meeting of the members of the year in which their term expires 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 Sections 3.01 and 3.03, such election may be held at an adjournment of such meeting or at a subsequently-held special meeting of the members.

Section 4.05. Directorate Districts. Directors shall be so nominated and elected that the Board shall be comprised of three (3) directors from District Number One, which shall be Lee County; three (3) from District Number Two, which shall be Chatham and Randolph Counties; at least two (2) but not more than three (3) from District Number Three, which shall be Harnett County; at least one (1) but not more than two (2) from District Number Four, which shall be Moore County.

Notwithstanding the foregoing Directorate District descriptions, every three (3) years the Board of Directors, shall review the Districts and, if determining that they should be altered so as to correct any substantially inequitable factors regarding the residence of members or the geographic location of Districts, shall alter or redesign the geographical Directorate Districts accordingly. Any such change in the Districts as approved by the Board shall become effective with the next annual member meeting which follows the Board action, PROVIDED, 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 terms would normally expire.

Section 4.06. Nomination. It shall be the duty of the Board of Directors to appoint, not less than sixty (60) nor more than one hundred fifty (150) days before the date of a meeting of the members at which directors are to be elected, a Committee on Nominations, consisting of eleven (11) persons who are members of the Cooperative, but are not incumbent directors or close relatives of such directors or known candidates to become directors, and who are so selected that three (3) shall be residents of Directorate District One, three (3) shall be residents of Directorate District Two, three (3) shall be the residents of Directorate District Number Three, and two (2) shall be residents of Directorate District Number Four. The Committee shall prepare and post at the Cooperative at least sixty (60) days before the meeting a list of nominations for directors to be elected, listing separately the nominee or nominees with respect to each Directorate District from which a director must, or may, pursuant to this Article, be elected at the meeting and

showing separately those nominated for regular three-year terms and, if any, those nominated to fill out the unexpired terms of any directorates which have been vacated. The Committee may include more nominees than there are to be elected, but it shall show clearly which nominees are opposed with respect to the same Directorate District and the same regular three-year term or unexpired term, if any, to be filled. Any one hundred (100) or more members of the Cooperative, acting together over their signatures not less than sixty (60) days prior to the meeting may make additional nominations in like manner listing the nominees separately with respect to the Directorate Districts from which, and the regular three-year term or unexpired term, if any, for which they are nominated, and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted. The Secretary shall mail to the members with the notice of the meeting, or separately, but at least seven (7) days prior to the meeting, a statement of the total number of directors to be elected, the number who must or may be elected from given Directorate Districts, the number to be elected for regular three-year terms and, if any, the number to be elected to fill out unexpired terms, and, for each nominee, his name, address, Directorate District of residency, term of which nominated and opposing nominee or nominees, if any, showing those nominated by the Committee separately from those nominated by petition, if any. 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 which corresponds to the number of directors to be elected, but no member in any election may vote for more nominees from any Directorate District than the number of directors eligible for election therefrom, nor for more nominees for the same term from any Directorate District than the number of such terms to be filled; nor may a member cumulate his votes. Ballots marked in violation of the foregoing restrictions with respect to any Directorate District shall be invalid and shall not be counted with respect to that District. Notwithstanding the provisions contained in this Section and in Section 4.06, 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 diector(s) by reason

thereof by filing with the Secretary such charge(s) in writing, together with a petition signed by not less than five (5%) percent of the total membership of the Cooperative which petition calls for a special member meeting thereon, and specifies the place, time and date thereof not less than forty-five (45) 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-five (45) days of the filing of such petition. 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 as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made and of the member(s) filing the charge(s) shall be contained in the notice of the meeting, or separately noticed to the members not less than seven (7) nor more than thirty-five (35) days prior to the member meeting at which the matter will be acted upon. 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 or by counsel, and to present evidence in respect of the charge(s); and the person or persons 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. Any vacancy created by such removal shall be filled as follows: This Nominating Committee last appointed pursuant to §4.06 of these Bylaws, shall meet and select a list of nominees for each vacant director seat. This Nominating Committee will provide the list on nominees – listing separately the nominees with respect to each Directorate District for which there is a vacant director seat. The Board may, but is not required to, supplement the list of nominees as presented by the Nominating Committee. The Board of Directors will then take action to select an individual to fill each vacant seat, by affirmative vote of a majority of the remaining directors. A director thus selected shall serve out the unexpired term of the director whose office was originally vacated.

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 affirmative vote of a majority of the remaining directors. A director thus elected shall serve out the unexpired term of the director whose office was originally vacated. The residency of the director elected to fill a vacancy shall be consistent with the provisions of Section 4.05.

SECTION 4.10. Compensation; Expenses. For their services as such, directors shall, on a per diem basis, receive such compensation, which may include insurance benefits, as is fixed by resolution of the Board of Directors. For the performance of their duties, directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by a vote of the Board of Directors. 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.

SECTION 4.11. Rules, Regulations, Rate Schedules and Contracts. The Board of Directors shall have power to make, adopt, amend, abolish the promulgate such rules, regulations, rate schedules and contracts, not inconsistent with law or the Cooperative's certificate of incorporation or by-laws, 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 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 operations during and financial condition as of the end of such year. An accurate summary of such audit reports shall be submitted to the members at the ensuing annual meeting of the members.

SECTION 4.13. Subscription to Carolina Country Magazine. The Board of Directors shall be empowered and authorized, on behalf of and for circulation to the individual members of the Cooperative, to subscribe to Carolina Country. The yearly subscription rate per member for such magazine shall be paid for each member by the Cooperative from any funds accruing in each member's favor, 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 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 and at the same place as the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such date, time and place in Lee County, North Carolina, or in any other County in which the Cooperative operates, as the Board of Directors may provide by resolution. Except when business to be transacted there shall require special notice, such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof: PROVIDED, that any director absent from any meeting of the Board at which such a resolution determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board.

SECTION 5.02. Special Meetings. Special meetings of the Board of Directors may be called by the President or by any three 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 President or the directors calling the meeting shall fix the date, time and place, which shall be in Lee County, North Carolina, for the holding of the meeting.

SECTION 5.03. Notice of Directors Meetings. Written notice of the date, time, place and purposes of any special meeting of the Board and, when the business to be transacted there at shall require such, of any regular meeting of the Board shall be delivered to each director not less than five (5) days prior thereto either personally or by mail, by or at the direction of the Secretary or, upon his default in this duty, by him or those calling it in the case of a special meeting or by any other director in the case of a regular meeting whose date, time and place have already been fixed by Board resolution. If mailed, 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 Cooperative's records, with postage thereon prepaid and postmarked at least five (5) days before the meeting date. The attendance of a director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business on the grounds that the meeting shall not have been lawfully called or convened.

SECTION 5.04. Quorum. The presence in person of a majority of the directors in office shall be required for the transaction of business and the affirmative votes of a majority of the directors present and voting shall be required for any action to be taken: PROVIDED, that a director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of directors in office or present; AND PROVIDED FURTHER that, if less than a quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause the absent directors to be duly and timely notified of the date, time and place of such adjourned meeting.

SECTION 5.05. Action Without Meeting. (a) Action required or permitted, either by law, by the Cooperative's certificate of incorporation, or by these bylaws, to be taken at a Board of Directors' meeting may be taken without a meeting if the action is taken by all members of the Board. The action shall be evidenced by one or more written consents signed by each director before or after such action, describing the action taken, and included in the minutes or filed with the Cooperative's records reflecting the action taken.

- (b) Action taken under this Bylaw is effective when the last director signs the consent, unless the consent specifies a different effective date.
- (c) A consent signed under this Bylaw has the effect of a meeting vote and may be described as such in any document.

ARTICLE VI OFFICERS

SECTION 6.01. Number and Title. The officers of the Cooperative shall be a President, Vice President, Secretary/Treasurer, Assistant Secretary/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 officers listed in Section 6.01 shall be elected by ballot, annually by and from the Board of Directors at the first meeting of the Board held after each annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of directors by the members and to the removal of officers by the Board of Directors. Any other officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

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

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

SECTION 6.05. President. The President shall:

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

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

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

SECTION 6.07. Secretary. The Secretary shall:

- (a) keep the minutes of meetings of the members and of the Board of Directors in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws or is required by law;
- (d) keep a register of the post office address of each member, which address shall be furnished to the Secretary by such member;
- (e) sign with the President certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors;
- (f) have general charge of the books of the Cooperative in which a record of the members is kept;
- (g) keep on file at all times a complete copy of the Cooperative's certificate of incorporation and of its 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 forward a copy of such documents and of all amendments thereto any member requesting the same, and
- (h) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him/her by the Board of Directors.

SECTION 6.08. Treasurer. The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit all such

monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and

- (c) in general perform all duties incident to the office of the Treasurer and such other duties as from time to time may be assigned to him/her 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/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 such officer's such duties to one or more agents or other officer of the Cooperative who are not directors. To the extent that the Board does so delegate with respect to either such officer, that officer as such shall be released from such duties, responsibilities and authorities.

SECTION 6.10. General Manager; Chief Executive Officer. The Board of Directors may appoint a general manager who may be, but who shall not be required to be, a member of the Cooperative. The GM/CEO shall perform such duties as the Board of Directors may from time to time require of him/her and shall have such authority as the Board of Directors may from time to time vest in him/her.

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

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 Cooperative directors and officers (including the General Manager or, if so titled, the Chief Executive Officer), and may but shall not be obligated to indemnify one or more other agents and employees, against liability related to their acts or omissions on behalf of or with respect to the Cooperative and the cost of defending against such

liability, including reasonable attorneys' fees, to the fullest extent allowable by law, including Sections 117-46 and 55A-17.a, 17.2 and 17.3 of the North Carolina General Statutes; and may purchase insurance in reasonable amounts to cover such indemnification.

SECTION 6.13. Reports. The officers of the Cooperative shall approve the reports that are submitted 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 in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

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

SECTION 7.03. Deposits. All funds of the Cooperative shall be deposited annually to the credit of the Cooperative in such bank or banks as the Board of Directors may select.

ARTICLE IX NON-PROFIT OPERATION

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

SECTION 9.02. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account: PROVIDED, that individual notices of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for himself the specific amount of capital so credited to him. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

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

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 prorata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. The Cooperative's Board of Directors shall determine the method, basis, priority, order, manner, and frequency of making such retirements: PROVIDED, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("Power supply or other service or supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric service or any other service or supply to the Cooperative. Such rules shall (a) establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's patrons, (c) provide for appropriate notifications to patrons with respect to such portions of capital credited to their accounts and (d) preclude a general retirement of such portions of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year.

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

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

The Board of Directors has the authority to develop alternative formulas for assigning of capital credits for large commercial and industrial

customers served on special, exclusive or incentive rates.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Cooperative and the patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron, had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

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 Section 117-20 of the North Carolina General Statutes and subsection (b) hereof, the Cooperative shall not sell, lease, lease-sell, exchange, mortgage or otherwise encumber or dispose of its assets and properties (other than merchandise and property which lie within the limits of an incorporated city or town, or which shall represent not in excess of ten (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 two-thirds (2/3) of its total membership, without proxies, and by the consent of the holders of seventy-five (75%) percent in amount of the Cooperative's outstanding bonds, except that the members of the Cooperative may, by the affirmative majority of the votes cast in person or by proxy at any meeting of the members, delegate to the Board of Directors the power and authority (1) to borrow monies from any source and in such amounts as the Board may from time to time determine and, (2) to mortgage or otherwise pledge or encumber any or all of the Cooperative's properties or assets as security therefor, and (3) to sell and lease back any of the Cooperative's property or assets. (b) No sale, lease, lease-sale, exchange or other disposition of all or in excess of ten (10%) percent of the Cooperative's assets and properties requiring the affirmative votes of two-thirds (2/3) of the Cooperative's total membership shall, if proposed by the Cooperative's Board of Directors, be authorized to be voted upon by the Cooperative's members except in conformity with the following:

- (1) The Board of Directors shall first appoint three persons each of whom or which is independent of the Cooperative and of the other two and of any entity proposed to acquire or lease such assets and properties and each being expert in electric utility property evaluations, and commission them, separately, to study, appraise and evaluate such assets and properties, including their growing concern value and the values associated with the right of the members to participate in the ownership and control of the Cooperative. Such appraisers shall be instructed to and shall take into account any other factors they may deem relevant in determining the present market value of such assets and properties. Within not more than sixty (60) days after their appointment and

commission, each appraiser shall render his or its highest determination of such present value. The Board of Directors shall not recommend and submit for member approval any plan to sell, lease, lease-sell, exchange, or otherwise dispose of such assets and properties for a consideration that is less than the highest such determination rendered by the appraisers; nor shall it, following the expiration of one (1) year after receipt of the appraisers' reports, make such a recommendation and submittal without, again, first complying with the foregoing requirements.

- (2) If, after receiving such appraisals, the Board of Directors resolves to pursue the matter further, it shall, within sixty (60) days after such resolution, transmit the appraisals, together with any underlying data and information that may have accompanied them, to every other electric membership corporation corporately sited and operating in North Carolina and invite it to submit competing or alternative proposals, including proposals to merge or consolidate with the Cooperative. Such appraisals shall also be accompanied by a copy of any proposal for such a sale, lease, lease-sale, exchange, or other disposition received by the Cooperative within one (1) year prior to the receipt of the last appraisal or received subsequent thereto but prior to the adoption of such resolution; PROVIDED, only the most recent proposal need be so transmitted. Such other electric membership corporations shall be given at least sixty (60) days within which to submit competing or alternative proposals, and they shall be notified in such transmittal of the actual final date for such submissions.
- (3) If, after date, the Board of Directors so resolves, it shall recommend and submit to the members (1) a proposal for such a sale, lease, lease-sale, exchange, or other disposition or (2) a proposal to merge or consolidate the Cooperative with one or more other electric membership corporations, but it shall accompany the proposal with verbatim copies of all competing or alternative proposals it has received, together with all of the appraisals. At the same time and with such submittal, the Board of Directors shall call and give notice of a special meeting of the members thereon or, if it so determines, notify the members that the matter will be considered and acted upon at the ensuing annual member meeting, in any event stating in detail each of any such proposals. The special or annual meeting shall be held not less than ninety (90) days after the giving of such notice.

- (4) Any two hundred (200) or more members of the Cooperative may, over their respective signatures and within not less than forty-five (45) days prior to the date of such member meeting, petition the Cooperative to mail to all of the Cooperative's members any statement of opposition of the Board of Directors' recommendation and/or of their own recommendation that a competing or alternative proposal, which may be or include a proposition to merge or consolidate the Cooperative with one or more other electric membership corporations, be submitted to and acted upon by the members at such meeting, in which case the Board of Directors shall cause a printed copy of the petition, including the printing of the names of the member signatories thereof, together with a printed copy of the statement, to be transmitted to all of the Cooperative's members via United States first class mail not less than twenty-five (25) days prior to such member meeting, with the cost of such printing and mailing to be borne by the Cooperative. When so mailed, such petition and statement shall constitute sufficient notice of any such competing or alternative proposal for the same to be considered and acted upon at such meeting.

The provisions of the subsection (a) shall not apply to a sale, exchange or disposition if such is in the nature of a forced sale for the reason that the purchaser possesses and otherwise would exercise the legal right to acquire, damage, relocate or destroy Cooperative properties by condemnation or otherwise without the Cooperative's consent; nor shall the provisions of this sub-section (b) (2) apply to a sale or lease-sale 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. (c) No offer to purchase, lease-purchase or otherwise to acquire, and no offer to sell, lease, lease-sell, or otherwise to transfer, all or in excess of ten (10%) percent of the Cooperative's assets and properties shall be valid or, if made and accepted, enforceable unless the total consideration to be payed or otherwise furnished and received therefor, to the extent that the same is in excess of the amounts necessary to discharge or to provide for the discharge of the Cooperative's related liabilities, shall be distributed to, or, if such be the case, allocated and assigned to, the patrons or former patrons of the Cooperative in the manner provided for in the Cooperative's Article of Incorporation or Bylaws or by applicable law.

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, or provision made therefor, shall, to the extent practicable as determined by the Board, be distributed without priority but on a patronage basis among all persons who are or have been members of the Cooperative at any time preceding the date of the dissolution; PROVIDED, HOWEVER, if in the judgment of the Board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation.

ARTICLE XII
FISCAL YEAR

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

ARTICLE XIII
RULES OF ORDER

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

ARTICLE XIV
SEAL

The 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 directors in office, at any regular or special Board meeting, but only if the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal, or an accurate summary explanation therefore.

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