



# COOPERATIVE BYLAWS

REV. DECEMBER 2020

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# CONTENTS

<b>ARTICLE I – DEFINITIONS</b> .....	1
SECTION 1.01 - General Provisions.....	1
SECTION 1.02 - Defined Terms.....	1
<b>ARTICLE II – COOPERATIVE MEMBERSHIP</b> .....	3
SECTION 2.01 - Membership Eligibility .....	3
SECTION 2.02 - Application for Membership; Renewal of Prior Application...	3
SECTION 2.03 - Membership Fee; Service Security Deposit And Facilities Extension Fees; Contributions in Aid of Construction .....	4
SECTION 2.04 - Acceptance into Membership .....	4
SECTION 2.05 - Joint Membership .....	4
SECTION 2.06 - Conversion of Membership .....	5
SECTION 2.07 - Effect of Death, Legal Separation or Divorce upon a Joint Membership.....	5
SECTION 2.08 - Purchase of and Payment for Electric Service; Power Production by Member; Application of Payments to All Accounts .....	6
SECTION 2.09 - Reduction in Cooperative Services.....	6
SECTION 2.10 - Excess Payments to be Credited as Member-Furnished Capital.....	6
SECTION 2.11 - Wiring of Premises; Responsibility Therefor; Load Management Devices; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification .....	7
SECTION 2.12 - Member to Grant Easements to Cooperative and to Participate in, if Required, Cooperative Load Management Programs .....	8
<b>ARTICLE III – MEMBERSHIP SUSPENSION AND TERMINATION</b> ....	8
SECTION 3.01 - Suspension by Non-Compliance; Reinstatement.....	8
SECTION 3.02 - Termination by Expulsion; Renewed Membership .....	9
SECTION 3.03 - Termination by Withdrawal or Resignation.....	9
SECTION 3.04 - Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners; . Limitations on Transfer of Interests.....	9
SECTION 3.05 - Effect of Termination.....	9
SECTION 3.06 - Board Acknowledgment of Membership Termination; Acceptance of Members Retroactively .....	10
SECTION 3.07 - Membership List.....	10
<b>ARTICLE IV – MEETING OF MEMBERS</b> .....	10
SECTION 4.01 - Annual Member Meetings .....	10
SECTION 4.02 - Special Meetings .....	10
SECTION 4.03 - Notice of Member Meetings .....	11
SECTION 4.04 - Record Date .....	12

SECTION 4.05 - Member Meeting List ..... 12

SECTION 4.06 - Member Action by Written Consent ..... 13

SECTION 4.07 - Member Quorum ..... 14

SECTION 4.08 - Voting ..... 14

SECTION 4.09 - Accepting and Rejecting Notarized Member Voting Documents ..... 14

SECTION 4.10 - Proxies ..... 15

SECTION 4.11 - Order of Business ..... 16

SECTION 4.12 - Credentials and Election Committee ..... 16

**ARTICLE V – DIRECTORS** ..... 17

SECTION 5.01 - Number and General Powers ..... 17

SECTION 5.02 - Qualifications ..... 17

SECTION 5.03 - Election ..... 19

SECTION 5.04 - Tenure ..... 19

SECTION 5.05 - Nominations ..... 19

SECTION 5.06 - Directorate Districts ..... 21

SECTION 5.07 - Voting for Directors; Validity of Board Action ..... 21

SECTION 5.08 - Removal of Directors by Members ..... 21

SECTION 5.09 - Removal of Directors by Board ..... 22

SECTION 5.10 - Vacancies ..... 22

SECTION 5.11 - Director Compensation ..... 23

SECTION 5.12 - Director Conduct ..... 23

SECTION 5.13 - Policies, Rules, Regulations, Rate Schedules and Contracts ..... 24

SECTION 5.14 - Accounting System and Reports ..... 25

SECTION 5.15 - “Close Relative” Defined ..... 25

SECTION 5.16 - Indemnification of Directors, Officers and Employees ..... 25

SECTION 5.17 - Insurance ..... 26

SECTION 5.18 - Conflict of Interest Transaction ..... 26

**ARTICLE VI – MEETINGS OF DIRECTORS** ..... 27

SECTION 6.01 - Regular Meetings ..... 27

SECTION 6.02 - Special Meetings ..... 27

SECTION 6.03 - Notice of Directors’ Meetings ..... 28

SECTION 6.04 - Waiver of Board Meeting Notice ..... 28

SECTION 6.05 – Director Quorum ..... 28

SECTION 6.06 - Board Action by Written Consent ..... 29

**ARTICLE VII – OFFICERS; MISCELLANEOUS** ..... 29

SECTION 7.01 - Number and Title ..... 29

SECTION 7.02 - Election and Term of Office ..... 29

SECTION 7.03 - Removal ..... 30

SECTION 7.04 - Vacancies ..... 30

SECTION 7.05 - Chairman ..... 30

SECTION 7.06 - Vice Chairman ..... 30

SECTION 7.07 - Secretary ..... 30

SECTION 7.08 - Treasurer ..... 31

SECTION 7.09 - Delegation of Secretary’s and Treasurer’s Responsibilities . 31

SECTION 7.10 - President and CEO ..... 32

SECTION 7.11 - Committees ..... 32

SECTION 7.12 - Executive Committee ..... 32

SECTION 7.13 - Bonds ..... 33

SECTION 7.14 - Compensation ..... 33

SECTION 7.15 - Reports ..... 33

**ARTICLE VIII – COOPERATIVE OPERATION ..... 33**

SECTION 8.01 - Non-profit and Cooperative Operation ..... 33

SECTION 8.02 - Allocating and Crediting Capital ..... 34

SECTION 8.03 - Retiring and Refunding Capital Credits ..... 35

SECTION 8.04 - Reasonable Reserves ..... 35

SECTION 8.05 - Acknowledgment of Certificate of Incorporation and  
Bylaws ..... 36

**ARTICLE IX – DISPOSITION OF COOPERATIVE ASSETS ..... 36**

SECTION 9.01 - Transfer of Cooperative Assets ..... 36

SECTION 9.02 - Merger or Consolidation ..... 37

SECTION 9.03 - Distribution of Cooperative Assets Upon Dissolution ..... 38

**ARTICLE X – MISCELLANEOUS ..... 38**

SECTION 10.01 - Bylaw Amendments ..... 38

SECTION 10.02 - Rules of Order ..... 39

SECTION 10.03 - Fiscal Year ..... 39

SECTION 10.04 - Notice ..... 39

SECTION 10.05 - Governing Law ..... 40

SECTION 10.06 - Titles and Headings ..... 40

SECTION 10.07 - Partial Invalidity ..... 40

SECTION 10.08 - Cumulative Remedies ..... 40

SECTION 10.09 - Entire Agreement ..... 41

SECTION 10.10 - Successors and Assigns ..... 41

SECTION 10.11 - Waiver ..... 41

SECTION 10.12 - Lack of Notice ..... 41

**BYLAWS OF  
LUMBEE RIVER ELECTRIC MEMBERSHIP CORPORATION**

**Article I – Definitions**

**SECTION 1.01 - General Provisions.**

Within these Bylaws of Lumbee River Electric Membership Corporation, as currently existing or as later amended (“Bylaws”):

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

**SECTION 1.02 - Defined Terms.**

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

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

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

- Additional Payments –Bylaw Section 2.02
- Amended – Bylaw Section 10.01
- Annual Member Meeting – Bylaw Section 4.01
- Applicant – Bylaw Section 2.02
- Appraisal – Bylaw Section 9.01
- Assets – Bylaw Section 9.01
- Board – Bylaw Section 2.02

Board Committees – Bylaw Section 7.11  
Board Meeting – Bylaw Section 6.03  
Bylaws – Bylaw Section 1.01  
Bylaw Provision – Bylaw Section 10.07  
C&E Committee – Bylaw Section 4.12  
Capital – Bylaw Section 8.02  
Capital Credits – Bylaw Section 8.02  
Certificate – Bylaw Section 2.02  
Close Relative – Bylaw Section 5.15  
Conflict of Interest Transaction – Bylaw Section 5.18  
Consolidate or Merge – Bylaw Section 9.02  
Consolidation or Merger Agreement – Bylaw Section 9.02  
Cooperative – Bylaw Section 2.01  
Cooperative Equipment – Bylaw Section 2.11  
Cooperative Service Area – Bylaw Section 5.06  
Cooperative Services – Bylaw Section 2.08  
Deceased Member – Bylaw Section 8.03  
Defined Terms – Bylaw Section 1.02  
Director – Bylaw Section 5.01  
Director Districts – Bylaw Section 5.06  
Director Quorum – Bylaw Section 6.05  
Director Removal Petition – Bylaw Section 5.08  
Director Term – Bylaw Section 5.04  
Director Written Consent – Bylaw Section 6.06  
Executive Committee – Bylaw Section 7.12  
Governing Documents – Bylaw Section 2.02  
Indemnification Advance – Bylaw Section 5.16  
Indemnification Director or Officer – Bylaw Section 5.16  
Indemnification Director Quorum – Bylaw Section 5.16  
Indemnification Expense – Bylaw Section 5.16  
Indemnification Individual – Bylaw Section 5.16  
Indemnification Party – Bylaw Section 5.16  
Indemnification Proceeding – Bylaw Section 5.16  
Indemnification Standard of Conduct – Bylaw Section 5.16  
Joint Member – Bylaw Section 2.05  
Joint Membership – Bylaw Section 2.05  
Member – Bylaw Section 2.04  
Member Candidate Challenge – Bylaw Section 4.12  
Member Committees – Bylaw Section 7.11  
Member Demand – Bylaw Section 4.02  
Member Meeting – Bylaw Section 4.03  
Member Meeting List – Bylaw Section 4.05  
Member Petition – Bylaw Section 5.05  
Member Petition Nominations – Bylaw Section 5.05  
Member Proxy – Bylaw Section 4.10  
Member Proxy Appointment – Bylaw Section 4.10  
Member Quorum – Bylaw Section 4.07  
Member Voting Document – Bylaw Section 4.08  
Member Written Consent – Bylaw Section 4.06  
Membership Certificate – Bylaw Section 2.04

Membership List – Bylaw Section 3.07  
Membership Obligations – Bylaw Section 2.02  
New Entity – Bylaw Section 9.02  
Nominating Committees – Bylaw Section 5.05  
Nominating Committee Nominations – Bylaw Section 5.05  
Non-Operating Margins – Bylaw Section 8.02  
Operating Margins – Bylaw Section 8.02  
Other Officer – Bylaw Section 7.01  
Person – Bylaw Section 2.01  
Reasonable Reserves – Bylaw Section 8.04  
Regular Board Meeting – Bylaw Section 6.01  
Required Officer – Bylaw Section 7.01  
Special Board Meeting – Bylaw Section 6.02  
Special Member Meeting – Bylaw Section 4.02  
Suspension Reason – Bylaw Section 3.01  
Total Membership – Bylaw Section 4.02  
Transfer Bylaw Section 9.01

## **Article II – Cooperative Membership**

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

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

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

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

When a Person or legal entity applies to become a Member (“Applicant”), the Applicant shall agree to purchase electric service from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative’s Certificate of Incorporation (“Certificate”) and Bylaws, and all rules, regulations, rate classifications and rate schedules established pursuant thereto, as all the same then exist or may thereafter be adopted, repealed or amended. The obligations embraced by such agreement are the “Membership Obligations”. The application shall be made in writing on such form, whether paper or electronic, as is provided or accepted therefor by the Cooperative (collectively “Governing Documents”). With respect to any particular classification of service for which the Board of Directors (“Board”) shall require it, such application shall be accompanied by a supplemental contract, executed by the Applicant on such form as is provided therefor by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 2.03 (together with any

service security deposit, service connection fee, facilities extension fee or contribution in aid of construction that may be required by the Cooperative (hereinafter “Additional Payments”), under generally applicable terms and conditions. Such fee and such Additional Payments, if any, shall be refunded in the event the application is by Board resolution denied.

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

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

The membership fee shall be as fixed from time to time by the Board. The membership fee, together with any Additional Payments, shall entitle the Member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative under generally applicable terms and conditions, together with Additional Payments, if any, shall be paid by the Member for each additional service connection requested by him.

**SECTION 2.04 - Acceptance into Membership.**

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

The certificate of membership (“Membership Certificate”) exists upon acceptance into Membership, with applicable data maintained electronically on the Cooperative’s systems and records. Members may receive a printed copy of their Membership Certificate upon specific written request. The Membership Certificate shall contain the name, service or mailing address of the Member, and the date of Membership. Membership Certificates are not transferrable.

**SECTION 2.05 - Joint Membership.**

Written application by either spouse shall be deemed a joint membership (“Joint

Membership”), unless the Applicant shall request in writing an individual or singular membership and, subject to his compliance with the requirements set forth in Sections 2.01 and 2.02 of this article, may be accepted for membership. Provided that acceptance by the Board of either spouse shall be deemed acceptance of both. The terms “Member,” “Applicant,” “person,” “his” and “him,” as used in these Bylaws, shall include a spouse holding a joint membership (“Joint Member”), unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing —

1. The presence at a meeting of either or both shall constitute the presence of one Member, a joint waiver of notice of the meeting and a revocation of any proxy executed by either or both;
2. The vote of, or proxy executed by, either or both shall constitute, respectively, one joint vote. Parties to a joint membership are responsible for resolving disagreements involving their vote prior to the time of the election;
3. Notice to, or waiver of notice signed by, either or both shall constitute, respectively, a joint notice or waiver of notice;
4. Termination in any manner of either shall constitute termination of the joint membership;
5. Either, but not both concurrently, shall be eligible to serve as a Director of the Cooperative, but only if both meet the qualifications required therefor; and
6. Neither will be permitted to have any additional service connections except through their one joint membership.

**SECTION 2.06 - Conversion of Membership.**

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

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

Upon the death of either spouse of a Joint Membership, such membership shall terminate, the interests and debts of the deceased spouse shall convert to a singular membership of a deceased former Member and the interests and debts of the surviving spouse shall convert to a surviving singular membership which shall continue as if said surviving membership had never been joint. The estate of the deceased former member shall not be released from any debts due the Cooperative. Pursuant to Section 8.03, the Cooperative may allow for a special retirement of Capital Credits to the estate of the deceased former Member on a discounted basis.

Upon the legal separation or divorce of the holders of a Joint Membership, such

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

**SECTION 2.08 - Purchase of and Payment for Electric Service; Power Production by Member; Application of Payments to All Accounts.**

The Cooperative shall use reasonable diligence to furnish its Members with adequate and dependable electric service (“Cooperative Services”), although it cannot and therefore does not guarantee a continuous and uninterrupted supply. Except for Member-owned distributed generation operating in accordance with the Cooperative’s Service Rule and Regulations and any other applicable state and/or federal laws, rules and regulations, each Member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all electric service to be used on all premises that have been served by the Cooperative pursuant to his membership. The Member shall pay for all electric service in accordance with the rules, regulations, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric service actually used) established by the Board and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 2.02. Production or use of electric service on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Each Member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. As determined by the Board, Members shall pay interest, compounded periodically, and late payment fees for all amounts owed, but not timely paid, to the Cooperative. When the Member has more than one service connection from the Cooperative, any payment for service to him by the Cooperative may be deemed to be allocated and credited on a pro rata basis to his outstanding accounts for all such service connections, notwithstanding that the Cooperative’s actual accounting procedures do not reflect such allocation and proration. Each Member agrees that, after written notice and an opportunity to resolve any dispute as to amount, the Cooperative may charge his current accounts with any debts or other obligations owed by the Member to the Cooperative due to any prior membership, including a prior Joint Membership, or due to any contractual or other legal obligation to the Cooperative.

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

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

**SECTION 2.10 - Excess Payments to be Credited as Member-Furnished Capital.**

All amounts paid for electric service in excess of the cost thereof shall be furnished by

Members as capital, and each Member shall be credited with the capital so furnished as provided in Article VIII of these Bylaws. Notwithstanding the foregoing, however, any amounts paid to the Cooperative due to overbilling by the Cooperative shall be promptly credited to the Member's Account as a payment on amounts currently due, or refunded to the Member.

**SECTION 2.11 - Wiring of Premises; Responsibility Therefor; Load Management Devices; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification.**

Each Member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the North Carolina Fire Insurance Underwriters Association, the National Electric Code, any applicable state code or local government ordinances, and of the Cooperative. If the foregoing specifications are variant, the more exacting standards shall prevail. Each Member shall be responsible for — and shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of — such premises and all wiring and apparatus connected thereto or used thereon. Each Member may, by separate agreement with the Cooperative, permit the installation of load management devices on such appliances and equipment, as is jointly agreed to between the Cooperative and the Member. If the Member agrees to the installation of such devices, the devices may not be permanently disconnected or removed unless (1) the Member in writing revokes his prior authorization, or (2) the Cooperative, its employees, agents, or contractor(s) disconnect or remove the devices. Each Member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have free and safe access thereto for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each Member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use 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 or any error occurring in the Cooperative's billing procedure. In no event shall the responsibility of the Cooperative extend beyond the point of delivery as defined in the Cooperative's Service Rules and Regulations, except that the Cooperative shall, in accordance with its applicable Service Rules and Regulations, indemnify the Member for any overcharges for service that may result from a

malfunctioning of its metering equipment, and for any damage that may result from a malfunctioning of its load management devices.

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

However, upon: (1) Determining that a Member has tampered or interfered with, damaged, or impaired any product, equipment, structure, or facility furnished or used by the Cooperative to provide, monitor, measure, or maintain any Cooperative Service ("Cooperative Equipment"); (2) Discovering the unsafe condition of any Cooperative Equipment; or (3) Discovering any imminent hazard or danger posed by any Cooperative Equipment; then, without providing the Member notice or opportunity to comment, the Cooperative may suspend provision of Cooperative Services to the Member until such equipment is repaired or replaced.

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

Each Member shall, at any time requested by the Cooperative, execute and deliver to the Cooperative grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the Member. Such grants shall be provided to facilitate the construction, operation, maintenance or relocation of the Cooperative's electric facilities, to provide service to the granting Member and/or to facilitate the Cooperative's efforts to provide requested or anticipated services to any other existing or future Member or members. Each Member shall participate in any required program and comply with related rates and Service Rules and Regulations that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric service or to conduct load research.

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

#### **SECTION 3.01 - Suspension by Non-Compliance; 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 (collectively "Suspension Reason"), a person's membership shall 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 Member Meeting. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, and/or cessation of any other noncompliance with 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 3.02 - Termination by Expulsion; Renewed Membership.**

Upon failure of a Member suspended for non-compliance to be automatically reinstated to membership, as provided in Section 3.01, he may, without further notice, but only after due hearing if such is requested by him, be terminated by the affirmative votes of not less than a majority of the Directors in office at any subsequently held regular or Special Board Meeting. After termination, a Member may not again become a Member except upon new application therefor duly approved as provided in Sections 2.02, 2.03 and 2.04; but the Board, 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 3.03 - Termination by Withdrawal or Resignation.**

A Member may withdraw from membership upon such generally applicable conditions as the Board shall prescribe and upon either (a) ceasing to (or, with the approval of the Board, resigning his membership in favor of a new Applicant who also shall) own, lease as lessor or lessee, or directly occupy or use all premises being furnished electric service pursuant to his membership, or (b) abandoning totally and permanently the use of electric service on all such premises.

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

The death of a natural person Member shall automatically terminate 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, lease as lessor or lessee, or directly to occupy or use the premises being furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners; PROVIDED FURTHER, that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative by the partnership. No natural person's right or privilege associated with Cooperative membership may be sold, purchased, assigned or otherwise transferred, except in conformity with Section 8.02(4) of these Bylaws. Except as otherwise provided herein, no legal entity's rights or privileges associated with the Cooperative may be sold, purchased or assigned unless requested in writing in connection with the sale or dissolution of the entity.

**SECTION 3.05 - Effect of Termination.**

Upon the termination in any manner of a person's membership, he or his estate, as the case may be, shall be entitled to refund of his membership fee and service security deposits, if any, he has 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 termination of a Member, as provided for in Section 3.01 and 3.02, such suspension or termination shall not, unless the Board shall expressly so elect, constitute such release of such person from his Membership Obligations as to entitle him to purchase from any other person any electric service for use at the premises to which such service has theretofore been furnished by the Cooperative pursuant to such membership.

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

Upon the suspension or termination of a person's membership for any reason, the Board, as soon as practicable after such event is made known to it, shall by appropriate resolution formally acknowledge membership termination, effective as of the date on which the Cooperative ceased furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a Member, it shall cease furnishing such service unless such person applies for membership and does become a Member retroactively to the date on which such person first began receiving such service, in which event the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly.

**SECTION 3.07 - Membership List.**

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

**Article IV – Meeting of Members**

**SECTION 4.01 - Annual Member Meetings.**

For the purposes of electing Directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the Annual Member Meeting ("Annual Member Meeting") shall be held on the third Tuesday of the month of October 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 shall from year to year fix: PROVIDED, that, for cause sufficient to it, the Board 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. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

**SECTION 4.02 - Special Meetings.**

A special meeting of the Members may be called by resolution of the Board ("Special Member Meeting"). The Board shall call such a meeting upon written request signed by at least a majority of the Directors or by written request signed by not less than ten percent (10%) of the Cooperative's total non-suspended Members ("Total Membership") requesting, and describing the purpose of, a Special Member Meeting

(“Member Demand”). The Board shall be solely responsible for determining the place, date and time for any such special meeting; PROVIDED, however, that such a Special Member Meeting shall be held within one of the counties being served by the Cooperative. Upon the adoption of such a resolution calling a Special Member Meeting, it shall be the duty of the Secretary to cause notice of such meeting to be given as provided in Section 4.03.

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

As directed by the Chairman, Secretary, or any Officer or Member properly calling an Annual Member Meeting or Special Member Meeting (collectively “Member Meeting”), the Cooperative shall deliver written notice of the Member Meeting:

1. Personally or by mail;
2. To all Members entitled to vote at the Member Meeting;
3. Indicating the date, time, and location of the Member Meeting;
4. At least ten (10), or, if notice is mailed by other than first class, registered or certified mail, at least 30, but not more than 60 days prior to the Member Meeting; and
5. Describing any matter to be considered, or voted or acted upon, under N.C. Gen. Stat. §§ 55A-11-04 (Articles of Merger), 55A-12- 02 (Sale of Assets), or 55A-14-02 (Dissolution); and
6. For any Special Member Meeting, stating the purpose of, and describing any matter to be considered, or voted or acted upon, at the Special Member Meeting.

If mailed, notice of a Member Meeting is delivered when deposited in the United States Mail with prepaid postage affixed and addressed to a Member at the Member’s address shown on the Membership List. Publication of the notice in Carolina Country, or other such Member publications, and timely delivery of the same to the Member shall be an acceptable means of providing notice. The inadvertent and unintended failure to send or of any Member to receive notice of any Member Meeting shall not affect any action taken at the Member Meeting.

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

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

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

1. The Member Meeting is adjourned to another date occurring within one hundred and twenty (120) days following the Record Date for the original Member Meeting; and
2. The new date, time, or location is announced at the Member Meeting prior to adjournment.

Members may only vote upon matters described in the notice of the Annual Member Meeting. At a Special Member Meeting, Members may only vote upon matters described in the notice of the Special Member Meeting.

#### **SECTION 4.04 - Record Date.**

1. The Record Date for the purpose of determining the Members entitled to notice of a Member meeting shall not exceed 45 days preceding the day on which notice of such meeting is given.
2. The Record Date for the purpose of determining the Members entitled to vote at a Member Meeting shall be the Cooperative's last business day preceding the date of the Member Meeting.
3. A determination of Members entitled to notice of or to vote at a Member Meeting is effective for any adjournment of the meeting unless the Board fixes a new date for determining the right to notice or the right to vote, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

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

After fixing the Record Date for determining the Members entitled to notice of a Member Meeting, and through the duration of the Member Meeting or any adjournment, the Cooperative shall prepare, update, and maintain an alphabetical list ("Member Meeting List") indicating the name and address of each Member entitled to notice of, and to vote at, the Member Meeting.

In order to facilitate communications among Members concerning the Member Meeting, the Cooperative shall make the Member Meeting List available for inspection by any Member:

1. Beginning two (2) business days after the Cooperative provides notice of the Member Meeting as outlined in Section 4.03, and continuing through the duration of the Member Meeting or any adjournment; and
2. At the Cooperative's principal office, or at a reasonable place identified in the notice of the Member Meeting and located in the city in which the Member Meeting will be held; and

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

1. A Member, Member's agent, or Member's attorney may inspect the Member Meeting List and copy the Member Meeting List at the Member's expense; or
2. If reasonable, as determined by the Cooperative, and upon paying the Cooperative a reasonable charge determined by the Cooperative covering the Cooperative's labor and material cost of copying the Member Meeting List, the Cooperative shall provide a copy of the Member Meeting List to the Member, Member's agent, or Member's attorney if:
  - (a). The written demand is made in good faith;
  - (b). The Member Meeting List is not used to solicit money or property unless the money or property is used solely to solicit Member votes at the Member Meeting; and
  - (c). The Member Meeting List is not used for any commercial purpose, or sold to, or purchased by, any Person.

The Cooperative shall also make the Member Meeting List available at the Member Meeting. Any Member, Member's agent, or Member's attorney may inspect the Meeting List at any time during the Member Meeting or any adjournment thereof. Before acting as allowed under this Bylaw, a Member's agent or attorney must provide written evidence satisfactory to the Cooperative that the Member properly authorized the agent or attorney to act on the Member's behalf. Refusal or failure to prepare or make available the Member Meeting List does not affect the validity of action taken at the meeting.

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

Any action required or permitted to be taken or approved by Members may be taken without a Member Meeting if the action is taken by all Members entitled to vote on the action. The action shall be evidenced by one (1) or more written consents:

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

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

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

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

Attendance in person of at least one percent (1%) of the total members of the Cooperative shall be required for the transaction of business at any Member Meeting (“Member Quorum”). If less than a Member Quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date at least thirty (30) days later and to any place within one of the counties permitted in Section 4.01; PROVIDED, that the Secretary shall notify any absent Members of the time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 4.03. At all meetings of the Members, whether a Member Quorum be present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those Members who were registered as present in person or, if allowed by Section 4.07, by proxy.

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

1. Each Member or their spouse who is not suspended or terminated, as provided for in Article III, shall be entitled to one vote and no more upon each matter submitted to a vote at any Member Meeting. A non-Member spouse will be required to present satisfactory proof of the marital relationship (e.g., same last name and same address on a valid ID) prior to voting the Membership interest. The Member spouse’s proxy is not required.
2. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registration at each Member Meeting, of a notarized and otherwise satisfactory resolution of the entity (“Member Voting Document”) entitling the person presenting the same to vote. A person entitled to cast the vote of such an entity, who is also himself a Member, may vote his own membership as well as that of the entity he represents.
3. At all meetings of the Members, all questions shall be decided by a majority of the Members voting thereon, except as otherwise provided by law or by the Cooperative’s Certificate of Incorporation or these Bylaws.

#### **SECTION 4.09 - Accepting and Rejecting Notarized Member Voting Documents Regarding any Member Voting:**

1. Acceptance. Member Voting Documents must be notarized by a Notary Public who is outside the employ of the Cooperative. The Cooperative may accept, and give effect to, the notarized Member Voting Document if the name signed on the Member Voting Document corresponds to a Member’s name, and the Cooperative acts in good faith; or the Cooperative reasonably believes the Member Voting Document is valid and authorized.
2. Rejection. The Cooperative may reject, and not give effect to, the Member Voting Document if the Cooperative acts in good faith; and has reasonable basis for doubting the validity of the signature on the Member Voting Document; or the signatory’s authority to sign on behalf of the Member.

3. Liability. Neither the Cooperative, nor any Cooperative Member, Director, Officer, employee, or agent, is liable to any Member for accepting or rejecting a Member Voting Document as provided in this Bylaw.

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

1. Proxy voting shall be allowed only on matters that require the affirmative votes of a clear majority of all the Cooperative's Members. Accordingly, proxy voting is not allowed on any other matters, including, but not limited to, Director elections under Section 5.03.
2. When allowed, a proxy vote shall be sufficient if it (a) is registered with the Cooperative at its principal office in Pembroke, North Carolina, during office hours on or before the third business day preceding the date of the meeting or any adjournment thereof, as the case may be, (b) is executed by the Member in writing and designates the holder thereof, (and, if the Member so desires, and alternative holder thereof and/or conferring upon the holder(s) full power of substitution), which holder(s) (or substitutes, if any) shall be the Member's spouse, an adult Close Relative (18 years or older) residing in the same household as the Member, or another Member who is a natural person (except that the natural person holding the proxy of a Member which is not a natural person need not himself be a Member ("Member Proxy")); and (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof ("Member Proxy Appointment");
3. Any mailed proxies not otherwise dated shall be deemed dated as postmarked if the postmark is satisfactorily evidenced;
4. Any proxy valid at any meeting shall be valid at any adjournment of that same meeting unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the Member at such adjournment.
5. 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.
6. In the event a Member executes two or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be.
7. If two or more proxies executed by one Member carry the same date, none of such proxies shall be valid.
8. Notwithstanding a Member's execution of a proxy, his personal presence at any meeting or adjournment thereof shall revoke such proxy, and he shall be

entitled to vote in the same manner and with the same effect as if he had not executed a proxy.

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

The Board shall determine the agenda and order of business for Member Meetings which shall include an “open forum” session affording Members an opportunity to raise issues and concerns before the Board, subject to reasonable time limitations on each speaker.

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

The Board shall, at least sixty (60) days but no more than ninety (90) days before any Member Meeting, appoint a Credentials and Election Committee (“C & E Committee”) consisting of an uneven number of Cooperative Members that is sufficient in numbers, but at least five (5), to carry out the responsibilities of the Committee. Committee members shall not be members of the Nominating Committee or existing Cooperative or subsidiary employees, agents, officers, Directors or known candidates for Director, or the Close Relatives (as defined elsewhere in these Bylaws) or members of the same household of persons in the excluded categories. The Committee shall elect its own chairman and secretary prior to the Member Meeting. Acting within the parameters of these Bylaws, it shall be the responsibility of the Committee:

1. To review and approve the manner of conducting Member registration and any ballot or other voting by the Members;
2. To pass upon all questions that may arise with respect to the registration of Members;
3. To pass upon all questions regarding a Member’s or Member spouse’s identification;
4. To pass upon all questions that may arise with respect to the eligibility of a nominee for election to the Board of Directors.
5. To supervise vote recounts when a request for recount is made as set out in this section.
6. To rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast;
7. To rule upon all other questions that may arise relating to Member voting and the election of Directors (including but not limited to the validity of protests and objections as allowed below); and

In the event that a candidate files a request for a recount, such filing must be made by the candidate in the office of the President and CEO of the Cooperative within three (3) business days following the adjournment of the meeting in which the voting was conducted. Upon such filing, the Committee shall be reconvened, not less than seven (7) days nor more than thirty (30) days after such request is filed, for the purpose of supervising the recount of votes. Candidates may only request the re-count of the

specific race in which their candidacy was at issue. Moreover, a candidate may only request a re-count if the margin of the contested race is less than 1% of the sum of the total number of valid ballots cast in the challenging candidate's race. The Committee's decision (as reflected by a majority of those actually present and voting) on all recount matters covered by this Section shall be final.

In the event that a candidate files a protest or objection to the conduct of the election ("Member Candidate Challenge"), such filing must be made by the candidate in the office of the President and CEO of the Cooperative within three (3) business days following the adjournment of the subject meeting. Candidates may only file protests and objections on their own behalf and may not protest or object to the results of any other candidates' races. The concerns of any candidate that does not file protests and objections as provided for herein shall be deemed waived. The Committee shall be reconvened, not less than seven (7) days nor more than thirty (30) days after such protest or objection is filed. It shall be the duty of the Committee to rule upon any protest or objection filed with respect to any election. The Committee shall hear such evidence as is presented by the protesting or objecting candidate(s), their counsel, or both. The Cooperative shall provide legal counsel for the Committee, if requested. The Committee, by a majority of those present and voting, shall within a reasonable time but not later than thirty (30) days after such hearing, make as recommended decision to the Board as to whether to:

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

The Credentials and Election Committee shall make the final decision. As determined by the Board, and as allowed by the Governing Documents, the Cooperative may reasonably compensate or reimburse Credentials and Election Committee members.

## **Article V – Directors**

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

The business and affairs of the Cooperative shall be governed by a Board of thirteen (13) Directors ("Directors"), which shall exercise all powers of the Cooperative except such as are by law or by the Cooperative's Certificate of Incorporation or these Bylaws conferred upon or reserved to the Members.

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

Any Director or Director Candidate must comply with this Bylaw.

1. General Director Qualifications. A Director or Director candidate must:
  - a. Be a natural person;
  - b. Have the capacity to enter legally binding contracts;
  - c. While a Director, and during the five (5) years immediately prior to becoming a Director, not:
    - i. Be, nor have been, convicted of a felony; or
    - ii. Plead, nor have pled, guilty to a felony;
  - d. Within three (3) years of becoming a Director, and unless excused by the Board for good cause, a Director is expected to receive a Director's Certificate or similar certification from the National Rural Electric Cooperative Association;
  - e. While a Director, and during the five (5) years immediately prior to becoming a Director, not:
    - i. Been employed as an employee of the Cooperative or any subsidiary; or
    - ii. Been engaged contractually (as a principal or primary owner, partner, or majority shareholder) of a firm that contracts with the Cooperative or any subsidiary as a prime or sub-contractor;
  - f. Unless excused for good cause by the Board or Members, a Director shall attend at least two-thirds (2/3) of all Board Meetings during any calendar year;
  - g. Have and maintain the physical and mental capacity to perform the essential functions of the role of Director, with or without reasonable accommodation; and
  - g. Comply with any other reasonable qualifications determined by the Board.
2. Membership Qualifications. While a Director, and during the 180 days immediately prior to becoming a Director, a Director or Director candidate must:
  - a. Not be subject to disconnection for electric service at the Director or Director candidate's primary residence or have any other debt to the Cooperative more than 90 days past due; and/or
  - b. Use, receive, or purchase a Cooperative Service at the Director's primary residence. Directors and candidates must maintain their primary residential abode within the boundaries of the applicable Directorate District.
  - c. Be the operating managing partner, or chief executive, or chief operating officer, or his/her designated employee of a non-natural person Member:
    - i. Be current in all respects regarding payment to the Cooperative of membership fees, Additional Payments and obligations, and not be subject to disconnection for electric service at the Director or Director candidate's qualifying primary service location; and
    - ii. Continuously and materially using, receiving, or purchasing a Cooperative Service within the Director District from which the Director is elected or chosen;
    - iii. The Director or Director Candidate's primary residence shall be within the Director District of the qualifying primary service location.
  - d. Otherwise be eligible under this section to serve as a Director.

3. Conflict of Interest Disqualification. A Director or Director candidate must not be or have been:
  - a. A spouse or Close Relative of any existing Director;
  - b. An existing, or a Close Relative of an existing, Cooperative or subsidiary employee;
  - c. Employed by, materially affiliated with, or share a material financial interest with, any other Director;
  - d. Previously subject to an involuntary separation of employment from the Cooperative or any subsidiary, or
  - e. Engaged in, nor employed by, materially affiliated with, or have a material financial interest in, any individual or entity:
    - i. Directly and substantially competing with the Cooperative or any subsidiary; or
    - ii. Possessing a substantial conflict of interest with the Cooperative or any subsidiary.
  
4. Continuing Qualifications. Only natural persons complying with the General Director Qualifications and the Membership Qualifications, and not disqualified due to a Conflict of Interest Disqualification may serve, or continue to serve, as a Director.

### **SECTION 5.03 - Election.**

At each Annual Member Meeting, Directors shall be elected by secret written or electronic ballot by the Members; PROVIDED, that when the number of Section 5.05 nominees from a given District equals the number of open seats for that District, secret written balloting shall be dispensed with for the particular election(s) and voting shall instead be conducted by acclamation. Directors shall be elected by a plurality vote of the Members. Drawing by lot shall resolve, where necessary, any tie votes.

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

Except when fewer seats might be up for election by virtue of Section 5.10, Directors shall be nominated and elected that either four (4) or five (5) shall be elected for three (3) year terms at an Annual Member Meeting (“Director Term”). Upon their election, Directors shall, subject to the provisions of these Bylaws with respect to the removal of Directors, serve until the Annual Member Meeting of the year in which their terms expire or until their successors shall have been elected and shall have qualified. If for any reason an election of Directors shall not be held at an Annual Member Meeting duly fixed and called pursuant to these Bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special or the next Annual Member Meeting. Failure of an election for a given year shall allow the incumbents whose directorships would have been voted on to hold over only until the next Member Meeting at which a Member Quorum is present.

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

1. Nominations by Committee: It shall be the duty of the Board to appoint

up to but no more than 15 Cooperative Members to serve on a Nominating Committee (“Nominating Committee”). The appointment shall be made at least sixty (60) days but no more than ninety (90) days prior to the date of the Annual Member Meeting. Neither incumbent Directors, Close Relatives of such Directors nor known candidates to become Directors shall be eligible to serve on the Nominating Committee. Members of the Nominating Committee shall be selected so that at least one Member resides in each District of the Cooperative. At least thirty (30) days before the meeting, the Committee shall prepare and post at the principal office of the Cooperative a list of nominations for Directors (“Nominating Committee Nomination”). The list may include a greater number of nominees than are to be elected. As determined by the Board, and as allowed by the Governing Documents, the Cooperative may reasonably compensate or reimburse Nominating Committee Members.

2. Member Petition Nominations. Without regard to the actions of the Nominating Committee, Cooperative Members are also entitled to nominate additional qualified individuals to run for election for any Director position for which Members are scheduled to vote at any Annual Member Meeting (“Member Petition Nominations”). The Cooperative shall announce a deadline for Member Petition Nominations that is at least forty-five (45) days but no more than sixty (60) days prior to the Annual Member Meeting. Members make such Member Petition Nominations by delivering to the Cooperative a written petition (“Member Petition”) for each Member Petition Nomination:
  - a. Listing the name of the Member Petition Nominee;
  - b. Indicating the Director District from which the Member Petition Nominee will run; and
  - c. Containing the printed names, main addresses, telephone numbers and original dated signatures of at least fifteen (15) Members. Each Member’s signature must be presented in the same name as he is billed by the Cooperative. The signature must be dated within 90 days of the election. The Member’s main address must be stated as it appears on said Member’s account, without regard to any other address used for billing purposes.

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

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

The Secretary shall mail to the Members, either with the notice of the meeting or separately but at least seven (7) days prior to the date of the meeting, a statement of the number of Directors to be elected and the names and addresses of all nominees. The statement shall separately list nominations made by the Committee from any nominations made by petition.

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

**SECTION 5.06 - Directorate Districts.**

Directors shall be nominated and elected so that the Board shall be comprised of thirteen (13) Directors, as indicated:

- Director District No. 1 – one (1) resident Director;
- Director District No. 2 – one (1) resident Director;
- Director District No. 3 – two (2) resident Directors;
- Director District No. 4 – one (1) resident Director;
- Director District No. 5 – three (3) resident Directors;
- Director District No. 6 – five (5) resident Directors;

The geographic contours of the six (6) Director Districts, (“Director Districts”) and the townships contained in each Director District, are reflected on the Appendix to these Bylaws (“Cooperative Service Area”). District boundaries are established by township and are intended to disperse Directors with consideration of geographic region and Member population densities.

**SECTION 5.07 – Voting for Directors.**

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

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

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

nominations;

PROVIDED, that the newly elected Director shall meet eligibility requirements and shall be a resident of, or a representative of a Cooperative Member which is not a natural person and whose premises served by the Cooperative are located within, the same District as was the Director whose office he succeeds.

2. As used in the foregoing subsection (1), the term “for cause” shall mean:
  - a. Substantive violation of the Cooperative’s Certificate of Incorporation or these Bylaws;
  - b. Final conviction of a felony;
  - c. Voting on matters coming before the Board in which the Director has a financial interest adverse to that of the Cooperative; or
  - d. Gross abuse of authority or discretion in the discharge of a Director’s duties to the Cooperative upon a determination of such by a final judgment in a declaratory judgment action of the Superior Court in the Judicial District wherein the Cooperative has its principal office.

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

Upon a Director’s loss of membership status under Article III of these Bylaws or loss of eligibility under Section 5.02, such Director’s seat shall be declared vacant by the remaining Members of the Board and such vacancy shall be filled in accordance with Section 5.10.

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

Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Directors by the Members, a vacancy occurring in the Board may be filled by the affirmative vote of a majority of the remaining Directors, or alternatively, the vacant seat may be eliminated by the affirmative vote of the remaining Directors and the number of Directors authorized under Section 5.01 shall be thereby reduced. If the Board declines to take action to fill or eliminate the seat prior to the date that Member Petition Nominations concerning the next Annual Meeting are due under Section 5.05, then the Members may in accordance with all requirements of this Article elect a new Director to the seat for the remainder of the term, or if the seat is otherwise scheduled for election, the subsequent term.

Directors who are appointed or elected under this Section shall be a resident of, or a representative of a Cooperative Member which is not a natural person and whose premises served by the Cooperative are located within, the same District as was the Director whose office was vacated.

A vacancy exists under this Section upon the death or resignation of a Director, upon a Director’s ceasing to be a Member of the Cooperative, upon a loss of eligibility under Section 5.02, upon removal under the provisions of Section 5.09 of these Bylaws, upon an increase in the number of Directors, or upon a final adjudication that a Director is incompetent.

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

The Cooperative may reasonably reimburse, compensate, or provide benefits to, Directors. The Board shall determine the manner and method of any reasonable Director reimbursement, compensation, or benefits. Such compensation may include, but is not limited to, paying Directors a monthly stipend and/or a fixed fee, plus documented business expenses, as determined in the Board's reasonable discretion, for attending or attending to:

1. The ongoing needs of the Cooperative, duties of the position, and communications with Members;
2. Board Meeting;
3. Function involving the Cooperative;
4. Meeting of State, National or other Cooperative or industry organization, or
5. Function reasonably enhancing the Director's ability to serve as a Director.

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

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

Unless modified or prohibited by Law:

1. Director Standard of Conduct. A Director shall discharge the Director's duties, including duties as a Board Committee Member:
  - a. In good faith;
  - b. With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
  - c. In a manner the Director reasonably believes to be in the Cooperative's best interests.
2. Director Reliance on Others. Unless a Director possesses knowledge concerning a matter making reliance unwarranted, then in discharging a Director's duties, including duties as a Board Committee Member, a Director may rely upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by:
  - a. One (1) or more Cooperative Officers or employees whom the Director reasonably believes to be reliable and competent in the matters prepared or presented;

- b. Legal counsel, public accountants, or other individuals regarding matters the Director reasonably believes are within the individual's professional or expert competence; and
  - c. If the Director reasonably believes a Board Committee of which the Director is not a Member merits confidence, then the Board Committee regarding matters within the Board Committee's jurisdiction.
3. Non-Interference with Cooperative Management and Operations. Directors shall specifically refrain from:
- a. interfering with, or endeavoring to exercise undue influence upon, the Chief Executive Officer or any other employee or agent of the Cooperative in the performance of duties;
  - b. comporting themselves in any manner as to encourage or promote insubordination on the part of employees of the Cooperative or to undermine proper support of, and respect for, the Chief Executive Officer, or any other employee or agent of the Cooperative;
  - c. directing or attempting to direct employees or contractors, or otherwise interfering in operational matters;
  - d. interfering in or attempting to interfere in personnel matters (including hiring, firing, disciplinary or individual compensation issues);
  - e. attempting to adjust individual Member concerns on behalf of the Cooperative;
  - f. reviewing individualized confidential Member data or individual confidential account information; or
  - g. attempting to influence vendor selections or interfere with equipment specifications and bidding procedures.
4. Director Liability. If a Director complies with this Bylaw, then the Director is not liable to the Cooperative, any Member, or any other individual or entity for action taken, or not taken, as a Director. No Director is deemed a trustee regarding the Cooperative or any property held or administered by the Cooperative, including without limit, property potentially subject to restrictions imposed by the property's donor or transferor.

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

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

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

The Board shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of, such year. A full and accurate summary of such audit reports shall be published to the Members as soon after their completion as practicable. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

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

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

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

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

1. Indemnification Director or Officer. The Cooperative shall indemnify:
  - a. An individual who is or was a Director or Officer, to the fullest extent allowed by North Carolina law;
  - b. An individual who, while a Director or Officer is or was serving, at the Cooperative's request, as a director, officer, partner, trustee, employee or agent of another foreign or domestic business or nonprofit corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; or
  - c. The estate or personal representative of such an individual (collectively, "Indemnification Director or Officer") who was wholly successful, on the merits or otherwise, in defending any threatened, pending, or completed action, suit, or proceeding whether civil, criminal, administrative, or investigative, and whether formal or informal ("Indemnification Proceeding") to which the Indemnification Director or Officer was, is, or is threatened to be made a named defendant or respondent ("Indemnification Party") because the Indemnification Director or Officer is or was a Director or Officer. This indemnification is against reasonable expenses, including counsel fees, ("Indemnification Expenses") actually incurred by the Indemnification Director or Officer in connection with the Indemnification Proceeding.
2. Indemnification Individual. The Cooperative shall indemnify an individual

who is or was a Cooperative employee or agent (“Indemnification Individual”), and was made, because the Indemnification Individual is or was a Cooperative employee or agent, an Indemnification Party to any Indemnification Proceeding.

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

- a. Acted in good faith;
- b. Reasonably believed:
  - i. For conduct as a Cooperative employee or agent, that the Indemnification Individual’s conduct was in the Cooperative’s best interest;
  - ii. For all other conduct, that the Indemnification Individual’s conduct was not opposed to the Cooperative’s best interests; and
  - iii. In the case of any criminal Indemnification Proceeding, had no reasonable cause to believe the Indemnification Individual’s conduct was unlawful (collectively, “Indemnification Standard of Conduct”).

Indemnification will not apply if the Indemnification Individual is adjudged liable to the Cooperative or adjudged liable for receiving an improper personal benefit.

To provide this indemnification, a majority vote of the Director Quorum, excluding Directors currently Indemnification Parties to the Indemnification Proceeding (“Indemnification Director Quorum”), must determine: (a) The Indemnification Individual met the Indemnification Standard of Conduct; and (b) Incurred reasonable Indemnification Expenses.

### **SECTION 5.17 - Insurance.**

Regardless of any indemnification authority or requirements, the Cooperative may purchase and maintain insurance on behalf of any individual who is, or was, a Cooperative Director, Officer, employee, agent or representative against any:

1. Liability, including judgment, settlement, or otherwise; or
2. Reasonable expenses, including reasonable attorney fees,

asserted against, or incurred by, the individual in the individual’s capacity, or arising from the individual’s status, as a Cooperative Director, Officer, employee, agent, or representative.

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

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

1. Indirect Interest. A Director has an indirect interest in a Conflict of Interest Transaction if at least one (1) party to the transaction is another entity:
  - a. In which the Director or Close Relative of a Director has a material financial interest or is a general partner; or
  - b. Of which the Director or Close Relative is a Director, officer, or trustee.
2. Approval of Conflict of Interest Transaction. Regardless of the presence or vote of a Director interested in a Conflict of Interest Transaction, a Conflict of Interest Transaction may be approved, and any Board Quorum satisfied, if the Conflict of Interest Transaction’s material facts, and the Director’s interest, are disclosed or known to the Board or Board Committee, and a majority of more than one (1) Director or Board Committee member with no interest in the Conflict Transaction votes to approve the Conflict of Interest Transaction.
3. Fair Conflict of Interest Transaction. A Conflict of Interest Transaction that is fair when entered is neither:
  - a. Voidable; nor
  - b. The basis for imposing liability on a Director interested in the Conflict of Interest Transaction.

## **Article VI –Meetings of Directors**

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

A regular meeting of the Board shall be held, without notice, immediately after, and at the same place as, the Annual Member Meeting; PROVIDED, however, that upon unanimous consent of all the Directors present, the meeting may be moved to another place, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual meeting.

A regular meeting of the Board shall also be held monthly at such date, time and place in Robeson County, North Carolina, as the Board may provide by resolution (“Regular Board Meeting”). Except when business to be transacted there at 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, any Director absent from any meeting of the Board at which such a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board.

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

Special meetings of the Board (“Special Board Meeting”) may be called by Board resolution, by the Chairman, or by any three (3) Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter

provided in Section 6.03. The Board, the Chairman or Directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties in which the Cooperative operates unless all Directors consent to its being held in some other place in North Carolina or elsewhere. Special Board Meetings may also be held via telephone conference call, without regard to the actual location of the Directors at the time of such a telephone conference meeting, if  $\frac{3}{4}$  of the Directors consent thereto.

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

Written notice of the date, time, place (or telephone conference call number) and purpose or purposes of any Regular Board Meeting or Special Board Meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board ("Board Meeting") shall be delivered to each Director at least five (5) days prior thereto, either personally or by mail, or email, by or at the direction of the Secretary or, upon his default in this duty, by him or those calling it in the case of a Special Board Meeting or by any other Director or officer in the case of any meeting whose date, time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Director 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 6.04 - Waiver of Board Meeting Notice.**

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

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

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

**SECTION 6.05 – Director Quorum.**

The presence in person of a majority of the Directors in office shall be required for the transaction of business ("Director Quorum") and the affirmative votes of a majority of the Directors in office present and voting shall be required for any action to be taken except that any action by the Directors under Article IX of these Bylaws shall require three-fourths ( $\frac{3}{4}$ ) affirmative votes of the Directors in office present and voting; PROVIDED, a Director who by law or these Bylaws is disqualified from voting on

a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of Directors in office or present; AND PROVIDED FURTHER, if less than a Director Quorum be present at a meeting, a majority of the Directors present may adjourn the meeting from time to time, but shall cause the absent Directors to be duly and timely notified of the date, time and place of such adjourned meeting.

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

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

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

1. Taken by all Directors; and
2. Evidenced by one (1), or more, written consents (“Director Written Consent”):
  - a. Describing the action taken;
  - b. Signed by each Director; and
  - c. Included with the Cooperative’s Board Meeting minutes.

Unless the Director Written Consent specifies a different effective date, action taken by Director Written Consent is effective when the last Director signs the Director Written Consent. A Director Written Consent has the effect of, and may be described as, a Board Meeting vote.

**Article VII – Officers; Miscellaneous**

**SECTION 7.01 - Number and Title.**

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

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

The officers named in Section 7.01 shall be elected by secret written ballot, annually and without prior nomination, by and from the Board at the first meeting of the Board held after the Annual Member Meeting. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding Annual Member Meeting or until 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. Any Other Officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board may from time to time deem advisable. When necessary, tie votes for any election shall be resolved by drawing of lots.

**SECTION 7.03 - Removal.**

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

**SECTION 7.04 - Vacancies.**

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

**SECTION 7.05 - Chairman.**

The Chairman —

1. Shall be the principal executive officer of the Cooperative exercising the authorities and responsibilities of the office of “president” as identified in G. S. 117-13;
2. Preside at all meetings of the Board, and, unless determined otherwise by the Board, at all meetings of the Members;
3. May sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
4. In general, shall perform all duties incident to the office of Chairman and such other duties as may be prescribed by the Board from time to time.

**SECTION 7.06 - Vice Chairman.**

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

**SECTION 7.07 - Secretary.**

The Secretary shall —

1. Keep, or cause to be kept, the minutes of meetings of the Members and of the Board in one or more books provided for that purpose;
2. See that all notices are duly given in accordance with these Bylaws or as required by law;
3. Have charge of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all documents the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these Bylaws or is required by law;
4. Keep, or cause to be kept, a register of the name and post office address of each Member, which address shall be furnished to the Cooperative by such Member;
5. Have general charge of the books of the Cooperative in which a record of the Members is kept;
6. Keep on file at all times a complete copy of the Cooperative's Certificate of Incorporation and Bylaws, together with all amendments thereto, which copies shall always be open to the inspection of any Member, and, at the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto upon request to any Member; and
7. In general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board.

#### **SECTION 7.08 - Treasurer.**

The Treasurer shall —

1. Have charge of and be responsible for all funds and securities of the Cooperative;
2. Receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or banks or securities as shall be selected 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.

#### **SECTION 7.09 - Delegation of Secretary's and Treasurer's Responsibilities.**

Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 7.07 and 7.08, the Board by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one or more agents, 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 7.10 - President and CEO.**

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

**SECTION 7.11 - Committees.**

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

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

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

**SECTION 7.12 - Executive Committee.**

Unless otherwise determined by the Board:

1. An Executive Committee is comprised of the Chairman, Vice Chairman, Secretary, and Treasurer (“Executive Committee”); and

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

The Executive Committee:

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

### **SECTION 7.13 - Bonds.**

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

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

The compensation, if any, of any officer, agent or employee who is also a Director or close relative of a Director shall be determined as provided in Section 5.11 of these Bylaws, and the powers, duties and compensation of any Other Officers, agents and employees shall be fixed or a plan therefor approved by the Board.

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

The officers of the Cooperative shall submit at each Annual Member Meeting reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

## **Article VIII – Cooperative Operation**

### **SECTION 8.01 - Non-profit and Cooperative Operation.**

The Cooperative:

1. Must operate on a non-profit basis;
2. Must operate on a cooperative basis for the mutual benefit of its Members; and
3. May not pay interest or dividends on Capital furnished by its members.

## **SECTION 8.02 - Allocating and Crediting Capital.**

In operating the Cooperative:

1. **Capital Credits.** Patrons shall furnish, Members and non-Members alike, and the Cooperative shall receive, as capital (“Capital”) all funds and amounts received by the Cooperative from Patrons for the Cooperative’s provision of a Cooperative Service that exceed the Cooperative’s costs and expenses of providing the Cooperative Service (“Operating Margins”). For each Cooperative Service, the Cooperative shall annually allocate to each Member, and pay by credit to a Capital account for each Member, Operating Margins from the Cooperative Service in proportion to the value or quantity of the Cooperative Service used, received, or purchased by each Member during the applicable fiscal year (“Capital Credits”). Capital Credits shall be treated as though the Cooperative paid the Capital Credit amounts to each Member in cash pursuant to a legal obligation, and each Member furnished the Cooperative Capital in the corresponding Capital Credit amounts. Notwithstanding any provision of this Article VIII, the amount to be credited to the capital of Members on account of their patronage shall be the greater of alternative minimum taxable income or regular taxable income resulting from their patronage as determined under Federal income tax law.
2. **Allocation of Losses.** If the costs and expenses exceed the amounts received and receivable from the furnishing of electric energy, then the Board shall have the authority under accepted accounting practices, loan covenants and tax law to prescribe the manner in which such loss shall be handled.
3. **Non-Operating Margins.** Funds and amounts, other than Operating Margins, received by the Cooperative that exceed the Cooperative’s costs and expenses (“Non-Operating Margins”) 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.
4. **Assignment and Notification.** Unless otherwise determined by the Board or provided in these Bylaws, Capital Credits and Affiliated Capital Credits may be assigned only upon a Member:
  - a. Delivering a written assignment to the Cooperative; and
  - b. Complying with any other requirements reasonably determined by the Board.

The Cooperative shall annually notify each Member of the dollar amount of Capital Credits or Affiliated Capital Credits allocated or credited to the Member. Notwithstanding the forgoing, such credits shall be distributed only in accordance with provisions of Section 8.03, below.

### **SECTION 8.03 - Retiring and Refunding Capital Credits.**

At any time prior to the Cooperative's dissolution or liquidation, the Board may authorize the Cooperative to, and the Cooperative shall, wholly or partially, retire and refund Capital Credits to Members and former Members.

The Board shall have the power to adopt rules providing for the separate retirement of that portion of capital credited to the accounts of Members which corresponds to capital credited to the account of the Cooperative by an organization furnishing power supply or any other service or supply to the Cooperative ("Affiliated Capital Credits"). Such rules shall (a) establish a method for determining the portion of such capital credited to each Member 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 Members, (c) provide for appropriate notifications to Members with respect to such portions of capital credited to their accounts and (d) 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 of any capital credited to Members for any prior fiscal year.

Before retiring and refunding any Capital Credits or Affiliated Capital Credits, the Cooperative may deduct from the Capital Credits or Affiliated Capital Credits any amounts owed to the Cooperative by the Member or former Member, including any reasonable compounded interest and late payment fee, as determined by the Board.

Pursuant to a written request by a former Member or the legal representative of a deceased former Member's estate, the Board may retire the former Member's Capital Credits and Affiliated Capital Credits on a discounted basis and under such other terms and conditions agreed upon by the former Member and the Cooperative; provided however, that the financial condition of the Cooperative will not be impaired thereby. The Cooperative shall be entitled to approve or deny the request in the exercise of its discretionary business judgment. Discounted Capital Credit retirements shall be calculated based on the Wall Street Journal prime rate as of the January 1 preceding the date of application for capital credits, regardless of the date the membership terminated. Unpaid balances will be deducted from discounted account balance before any payment is made. 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.

Notwithstanding the forgoing or any other provision of these Bylaws, the Cooperative may allocate, retire and discount capital credits of non-natural person members according to the manner, method, timing, and amount approved by the Board through resolution and/or policy.

### **SECTION 8.04 - Reasonable Reserves.**

Based upon the Cooperative's reasonable needs, the Cooperative may accumulate and retain Operating Margins ("Reasonable Reserves"). As provided in these Bylaws,

however, the Cooperative shall allocate and credit Reasonable Reserves as Capital Credits.

**SECTION 8.05 - Acknowledgment of Certificate of Incorporation and Bylaws.**

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Certificate of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and such 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.

**Article IX – Disposition of Cooperative Assets**

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

The Cooperative shall not sell, mortgage, lease or otherwise encumber or dispose (collectively “Transfer”) of any Cooperative property or assets (other than merchandise and property which lie within the limits of an incorporated city or town, or which shall represent not in excess of ten percent (10%) of the total value of the Cooperative’s assets (“Assets”), or which in the judgment of the Board are not necessary or useful in operating the Cooperative) unless:

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

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

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

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

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

1. Board Approval. The Board must approve an agreement or plan to Consolidate or Merge ("Consolidation or Merger Agreement") stating the:
  - a. Terms and conditions of the Consolidation or Merger and the mode of carrying the same into effect;
  - b. Name and address of the principal office of each entity Consolidating or Merging;
  - c. Name and address of the principal office of the new or surviving Consolidated or Merged entity ("New Entity");
  - d. Manner and basis, if any, of converting memberships, or ownership rights, of each Consolidating or Merging entity into memberships or ownership rights of, or payments from, the New Entity;
  - e. A statement that each Cooperative agrees to the Consolidation or Merger;
  - f. Names and addresses of New Entity Directors who will serve until the New Entity's first annual meeting; and
  - g. Any other information required by Law or necessary or advisable for the conduct of the business of the New Entity.
2. Member Approval. After the Board approves a Consolidation or Merger Agreement, two-thirds (2/3) of the Members present and voting in person must approve the Consolidation or Merger Agreement, at a meeting held thereon.
3. Notice. The Cooperative shall notify Directors of any Board Meeting, and Members of any Member Meeting, at which Directors or Members may consider a Consolidation or Merger Agreement. This notice must contain, or be accompanied by, a copy of the Consolidation or Merger Agreement.
4. Other Requirements. The New Entity Directors named in the Consolidation or Merger Agreement must sign and file articles of Consolidation or Merger

in a manner, and stating the information, required by Law. The Cooperative shall comply with all other requirements for Consolidation or Merger specified by Law.

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

Upon the Cooperative's dissolution:

1. The Cooperative shall pay, satisfy, or discharge all Cooperative debts, obligations, and liabilities, including retiring and refunding without priority all Capital Credits and Affiliated Capital Credits to all Patrons and former Patrons in proportion to the value or quantity of Cooperative Services used, received, or purchased by each Patron or former Patron; and
2. After paying, satisfying, or discharging all Cooperative debts, obligations, and liabilities:
  - a. To the extent practical, the Cooperative shall first distribute gains from selling any appreciated Cooperative Asset to Members who used, received, or purchased Cooperative Services during the period in which the Cooperative owned the Cooperative Asset in proportion to the value or quantity of Cooperative Services used, received, or purchased by the Member during the period the Cooperative owned the Cooperative Asset; and
  - b. To the extent practical, the Cooperative shall then pay or distribute any remaining Cooperative Assets, and any amounts received from selling any remaining Cooperative Assets, to:
    - i. The Members in proportion to the value or quantity of Cooperative Services used, received, or purchased by each Member during the six (6) years prior to the Cooperative's dissolution; or
    - ii. Any nonprofit charitable or educational entity or organization exempt from paying Federal income tax.

## **Article X – Miscellaneous**

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

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

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

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

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

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

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

1. Member Meetings;
2. Board Meetings;
3. Member Committee meetings; and
4. Board Committee meetings are intended to be governed by the latest edition of Robert's Rules of Order.

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

The Board shall determine, and may modify, the Cooperative's fiscal year.

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

In these Bylaws:

1. Notice Type. Unless otherwise provided in these Bylaws, notice may be:
  - a. Oral or written; and
  - b. Communicated:
    - i. In person;
    - ii. By telephone, telegraph, teletype, facsimile, electronic communication, or other form of wire or wireless communication;
    - iii. By mail or private carrier; or
    - iv. If the above-listed forms of communicating notice are impractical, then by:
      - (1) Newspaper of general circulation in the area where published; or
      - (2) Radio, television, or other form of public broadcast communication.

If addressed, or delivered, to an address shown in the Membership List, then a written notice or report delivered as part of a newsletter, magazine, or other publication regularly sent to Members constitutes a written notice or report to all Members: (1)

Residing at the address; or (2) Having the same address shown in the Membership List.

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

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

#### **SECTION 10.05 - Governing Law.**

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

#### **SECTION 10.06 - Titles and Headings.**

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

#### **SECTION 10.07 - Partial Invalidity.**

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

#### **SECTION 10.08 - Cumulative Remedies.**

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

**SECTION 10.09 - Entire Agreement.**

Between the Cooperative and any Member, the Governing Documents:

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

**SECTION 10.10 - Successors and Assigns.**

To the extent allowed by Law:

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

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

**SECTION 10.11 - Waiver.**

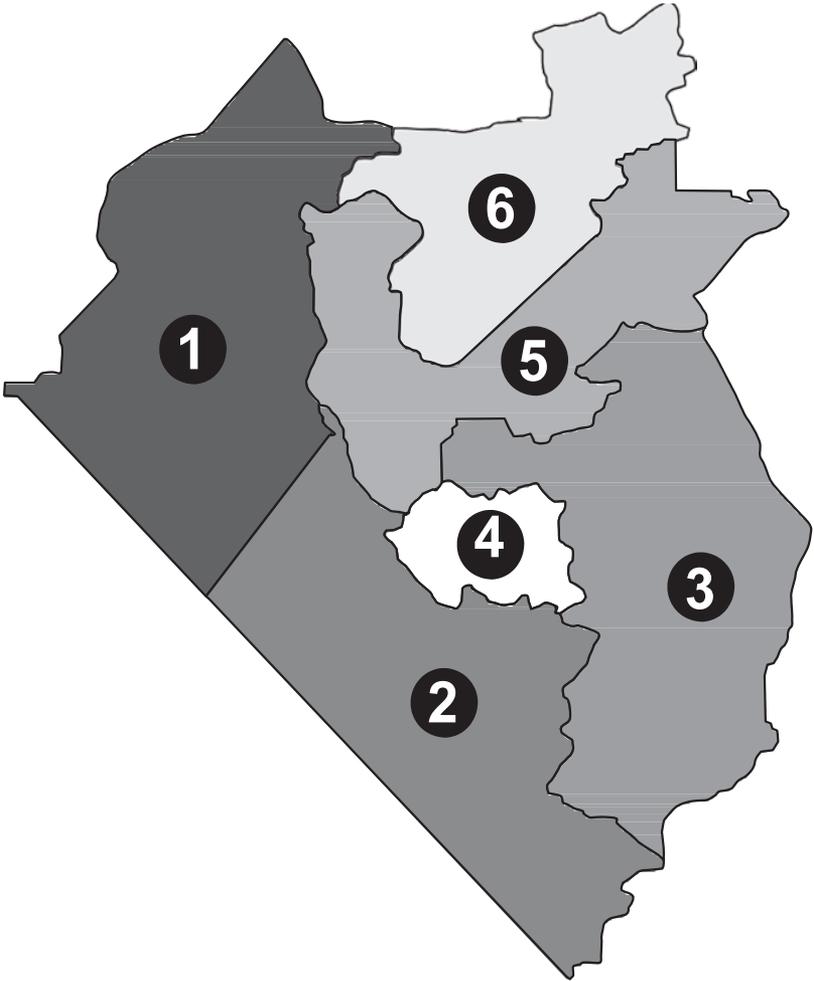
The failure of the Cooperative to assert any right or remedy provided in these Bylaws does not waive the right or remedy provided in these Bylaws.

**SECTION 10.12 - Lack of Notice.**

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

# APPENDIX

## Cooperative Service Area



## ***DISTRICTS BY TOWNSHIPS***

### **DISTRICT 1**

Scotland County  
Quewhiffle

### **DISTRICT 2**

Maxton  
Alfordsville  
Rowland  
Thompson  
Gaddys  
Fairmont  
Sterlings  
Whitehouse  
Backswamp  
Union

### **DISTRICT 3**

Orrum  
Smyrna  
Britts  
Lumberton  
East Howellsville  
West Howellsville  
Whisarts Saddletree  
St. Pauls  
Philadelphus

### **DISTRICT 4**

Pembroke  
Burnt Swamp  
Raft Swamp

### **DISTRICT 5**

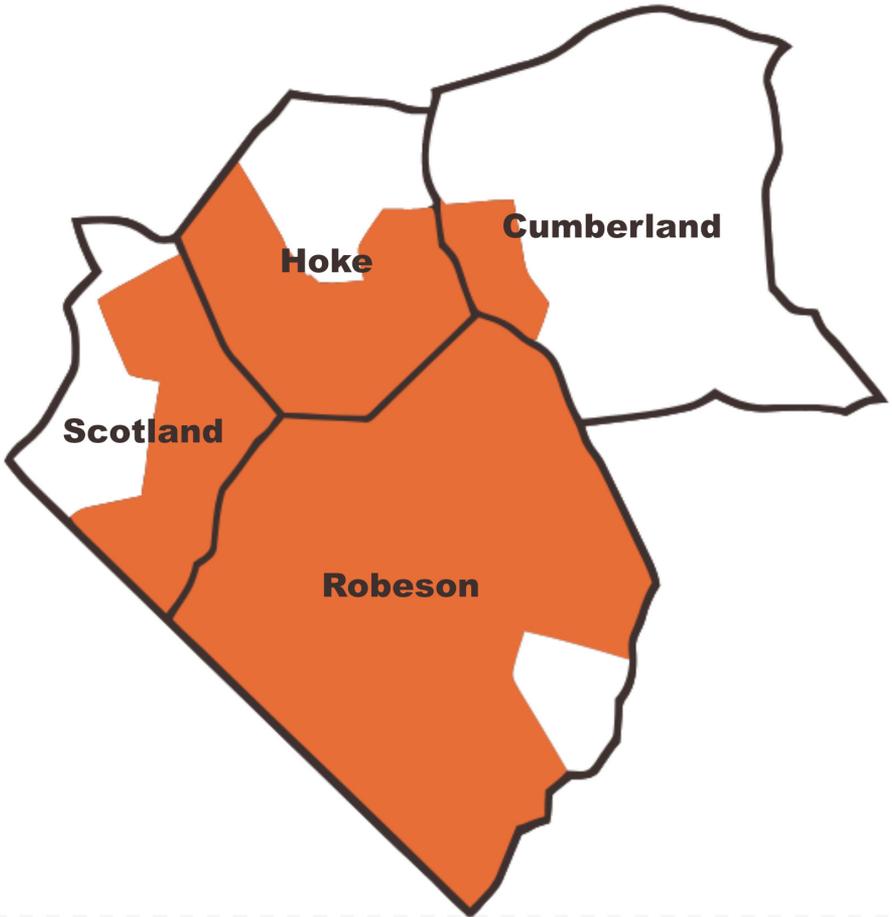
Lumber Bridge  
Parkton  
Shannon  
Rennert  
Rockfish  
Blue Springs  
Allendale  
Smiths  
Red Springs

### **DISTRICT 6**

Raeford  
McLauchlin  
Seventy-First  
Antioch  
Stonewall

# ***NOTES***

# LUMBEE RIVER EMC



**SERVICE AREA**