

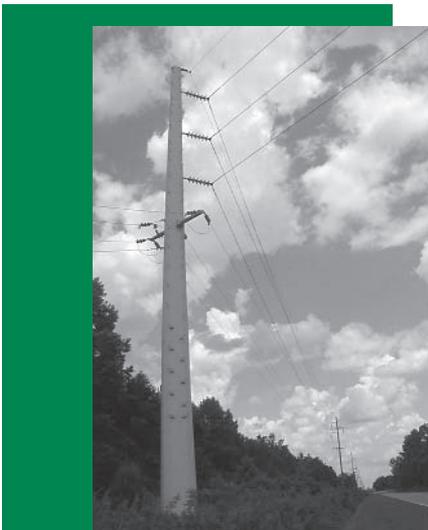


Four County Electric
Membership Corporation

A Touchstone Energy® Cooperative 

Cooperative Bylaws

*Guide to a better understanding
of your local electric co-op.*





PREFACE

The items in this handbook have been assembled for the sole benefit of members and membership applicants of Four County Electric Membership Corporation. This handbook is intended to familiarize you with the cooperative's bylaws. Items included are subject to change from print time of this book. An up-to-date copy of the bylaws is available at Four County Electric Membership Corporation headquarters in Burgaw, NC. Requests for a current copy of bylaws should be directed to the Executive Assistant of the cooperative.

MEMBERSHIPS

Any person, business, organization, association or agency is eligible to become a member of, and receive electric service from Four County EMC. However, no person will have more than one membership in the Cooperative.

A husband and wife may have a joint membership if they specifically request this in writing. The couple will still have only one vote between them.

The membership fee, as well as any service security deposits, will be determined by the Board of Directors from time to time.

Because the Cooperative is operated on a not-for-profit basis, no interest or dividends will be paid by the Cooperative on any capital furnished by the members.

NOT-FOR-PROFIT OPERATION

Capital credits represent any money left over at the end of the fiscal year after all the Cooperative's operating costs and expenses have been paid. Each year the amount of this excess is determined and each member is credited on the Cooperative's books with his share of the leftover money. The amount each member is credited is based on a percentage of the total amount of his electric bills for the given year.

As long as the Cooperative remains in financially sound condition, a general retirement of capital credits will be made. The Board of Directors will determine the method, basis, priority and order of making such retirements.

DIRECTORS

There are ten (10) elected members on the Cooperative's Board of Directors – one (1) from each of the eight (8) directorate districts and two (2) at-large.

Directors are elected in staggered three-year terms at the annual membership meeting. To be eligible for the Board a member must receive electric service from the Cooperative at his primary place of residence, be able to enter into binding and enforceable contracts under North Carolina law and not be a close relative of an incumbent director or of an employee of the Cooperative.

A nominating committee composed of one (1) member from each directorate district and two (2) at-large members prepares a list of nominees for each opening on the Board.

A member may also be nominated with the signatures of fifty (50) or more members of the Cooperative on a petition to nominate a member. This petition must be received at the headquarters office in Burgaw at least thirty (30) days prior to the annual meeting.

ANNUAL MEETING

The annual membership meeting is held in October each year for the purposes of electing directors, hearing reports covering the previous fiscal year and transacting any other business that may be properly brought before the meeting.

Four County Electric Membership Corporation

Bylaws

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FOUR COUNTY ELECTRIC MEMBERSHIP CORPORATION

Burgaw, North Carolina

(Revised January 20, 2004)

ARTICLE I MEMBERSHIP

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

SECTION 1.02. **Application for Membership; Renewal of Prior Application.** Application for membership -- wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative's Certificate of Incorporation and Bylaws, and all rules, regulations, rate classifications and rate schedules established pursuant thereto, as all the same then exist or may thereafter be adopted, repealed or amended (the obligations embraced by such agreement being hereinafter called "membership obligations") -- shall be made in writing on such form as is provided therefor by the Cooperative. If any person shall request service from the Cooperative by telephone, e-mail or other form of communication whereby such person does not actually sign a formal membership application, such person shall, nevertheless be accepted into membership and shall thereupon be subject to all membership obligations. 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 1.03 (together with any service security deposit, service connection deposit or fee, facilities extension deposit or contribution in aid of construction that may be required by the Cooperative (hereinafter "additional payments")), which 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, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at the North Carolina legal rate on judgments in effect when such account first became overdue, compounded annually, together with any additional payments, if any, may renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment(s).

SECTION 1.03. Membership Fee; Service Security and Facilities Extension Deposits or 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, if any, shall entitle the member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative, together with additional payments, if any, shall be paid by the member for each additional service connection requested by him.

SECTION 1.04. Joint Membership. A husband and wife, by specifically so requesting in writing, may be accepted into joint membership or, if one of them is already a member, may automatically convert such membership into a joint membership by jointly executing another membership application. The terms "member," "applicant," "person," "his" and "him," as used in these Bylaws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing --

- (a) the presence at a meeting of either or both shall constitute the presence of one member, a joint waiver of notice of the meeting and a revocation of any proxy executed by either or both;
- (b) the vote of, or proxy executed by, either or both shall constitute, respectively, one joint vote: PROVIDED, that if both be present but in disagreement on such vote, each shall cast only one-half (1/2) vote; AND PROVIDED FURTHER, that if each executes a separate proxy, the one most recently executed shall revoke the former and shall constitute their sole joint proxy; or, if each executes a separate proxy on the same date, the holder or holders thereof shall cast only one-half (1/2) vote in respect of each;
- (c) notice to, or waiver of notice signed by, either or both shall constitute, respectively, a joint notice or waiver of notice;
- (d) suspension or termination in any manner of either shall constitute, respectively, suspension or termination of the joint membership;
- (e) either, but not both concurrently, shall be eligible to serve as a director of the Cooperative, but only if both meet the qualifications required therefor; and
- (f) neither will be permitted to have any additional service connections except through their one joint membership.

SECTION 1.05. Acceptance into Membership. Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically become a member on the date of his connection for electric service: PROVIDED, that the 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.

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

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

SECTION 1.08. Wiring of Premises; Responsibility Therefor; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification. Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the North Carolina Fire Insurance Underwriters Association, the 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 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. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative extend beyond the point of delivery.

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

ARTICLE II
MEMBERSHIP SUSPENSION AND TERMINATION

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

reinstatement, and/or cessation of any other noncompliance with his membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the membership, in which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meetings of its members.

SECTION 2.02. Termination by Expulsion; Renewed Membership.

Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 2.01, he may, without further notice, but only after due hearing if such is requested by him, be expelled by resolution of the Board at any subsequently held regular or special meeting of the Board. After expulsion, a member may not again become a member except upon new application therefor duly approved as provided in Sections 1.02 and 1.05; 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 2.03. 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) except when the Board specifically waives such condition, abandoning totally and permanently the use of central station electric service on such premises.

SECTION 2.04. Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners. Except as provided in Section 2.06, the death of 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.

SECTION 2.05. Effect of Termination. Upon the termination in any manner of a person's membership, he or his estate, as the case may be, shall be entitled to refund of his membership fee (and his service security deposit, if any, thereto fore paid the Cooperative), less any amounts due the Cooperative; but neither he nor his estate, as the case may be, shall be released from any debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or expulsion of a member, as provided for in Sections 2.01 and 2.02,

such suspension or expulsion shall not, unless the Board shall expressly so elect, constitute such release of such person from his membership obligations as to entitle him to purchase from any other person any central station electric power and energy for use at the premises to which such service has thereto fore been furnished by the Cooperative pursuant to such membership.

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

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

ARTICLE III MEETINGS OF MEMBERS

SECTION 3.01. Annual 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 meeting of the members shall be held on the first Monday 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. It shall be the responsibility of the Board to make adequate plans and preparations for, and to encourage member attendance at, the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02. **Special Meetings.** A special meeting of the members may be called by resolution of the Board, by any four (4) directors or by not less than two hundred (200) or two (2%) percent of the then-total members of the Cooperative, whichever is less, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.03. Such a meeting shall be held at any place within one of the counties in North Carolina which the Cooperative serves, on such date, not sooner than forty (40) days after the call or request for such meeting is made, and beginning at such hour as shall be designated by those calling or petitioning for the same.

SECTION 3.03. **Notice of Member Meetings.** Written or printed notice of the place, day and hour of the meeting and, in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting shall, be delivered to each member not less than ten (10) nor more than sixty (60) days prior to the date of the meeting, by any reasonable means, by or at the direction of the Secretary or, in the case of a special meeting, at the direction of those calling the meeting. Reasonable means of providing such notice shall include but not be limited to United States mail, personal delivery, the Cooperative's monthly newsletter or member service billings. No matter the carrying of which, as provided by law or by the Cooperative's Certificate of Incorporation or these Bylaws, requires the affirmative votes of at least a majority of all the Cooperative's members shall be acted upon at any meeting of the members unless notice of such matter shall have been contained in the notice of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the Cooperative's records, with postage thereon prepaid and postmarked at least ten (10) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and non-intended failure of any member to receive such notice shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person or by proxy of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection. In providing notice of an annual or special meeting of the members, the Cooperative shall include in the notice matters that members intend to raise at the meeting if: i) requested to do so by ten (10%) percent of the members entitled to vote at the meeting; ii) the request is received by the Cooperative's Secretary or President at least ten (10) days before notice of the meeting is provided to the members; and iii) all additional requirements in these Bylaws regarding the making of a member initiative or presenting of an agenda item at either an annual or special member meeting are met. In no event shall a petitioned item of business be added to the meeting notice if the proposed item may not lawfully or properly be considered and determined by the members. If the Board determines that the members' request is improper, the Board's decision shall be communicated to the first member whose name appears on the written request.

SECTION 3.04. **Quorum.** Except as provided otherwise in these bylaws, business may not be transacted at any meeting of the members unless there are present in person or proxy at least two hundred (200) or two (2%) percent of the then total members of the Cooperative, whichever is less, except that, if less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date not less than forty (40) days later and to any place within one of the counties in North Carolina which the Cooperative serves: 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 3.03. At all meetings of the members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person or by proxy.

SECTION 3.05. **Voting.** Each member who is not in a status of suspension, as provided for in Section 2.01, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote. 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, subject, however, to the restrictions on proxy voting contained in Section 3.06 hereafter. 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. Members may not cumulate their votes or vote by mail.

SECTION 3.06. **Proxies.** At any meeting of the members or any adjournment thereof, any member, including members who are not natural persons, may vote by proxy, but only if such proxy: (a) is registered with the Secretary or his duly designated registrar before or at the time of the meeting or any adjournment thereof, or, if such proxy is to be voted on any matter the carrying of which requires the affirmative votes of more than a majority of the then-total members of the Cooperative, is registered with the Cooperative at its principal office in Burgaw, North Carolina, or at one of the Cooperative's district offices in Burgaw, Elizabethtown or Rose Hill, North Carolina, during office hours on or before the third business day next preceding the date of the meeting or any adjournment thereof, as the case may be; (b) is executed by the member in writing and designates the holder thereof (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 substitute(s), 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); 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; PROVIDED, any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executes two or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of such proxies shall be valid or recognized. The presence in person of a member at any meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. A person entitled under this Section may vote as proxy for an unlimited number of members on any matter the carrying of which, as provided by law, the Cooperative's Certificate of Incorporation or these Bylaws, requires the affirmative votes of more than a majority of the then-total members of the Cooperative, otherwise no person shall vote as proxy for more than on (1) member on any other matter, except that such a person who is voting as the duly authorized representative of one or more members which are not natural persons, as provided in Section 3.05, may vote as proxy for one (1) natural person member and one (1) member which is not a natural person which he represents as provided in Section 3.05 (That is, no member in a matter requiring less than a majority of all members to carry may cast more than three (3) votes: the member's own vote; the proxy of one (1) natural person; and the proxy of one (1) member which is not a natural person.) Notwithstanding the foregoing provisions of this Section, whenever a member is absent from a meeting of the members but whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member could vote if present in person, unless such member has given a written proxy to some other person eligible to vote such proxy.

SECTION 3.07. Credentials and Election Committee. The Board shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee consisting of an uneven number of Cooperative members not less than five (5) nor more than fifteen (15) who are not members of the Nominating Committee or existing Cooperative employees, agents officers, directors or known candidates for director, and who are not close relatives (as hereinafter defined) or members of the same household thereof. In appointing the Committee, the Board shall have regard for the equitable representation of the several areas served by the Cooperative. The Committee shall elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members in person or by proxy, to count all ballots or other votes cast in any election or in any other matter, to rule upon

the effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of directors (including but not limited to the validity of petitions of nomination or the qualifications of candidates and the regularity of the nomination and election of directors), and to pass upon any protest or objection filed with respect to any election or to conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following the adjournment of the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protestor(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the Committee, by a vote of a majority of those present and voting, shall, within reasonable time but not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Committee may not affirmatively act on any matter unless a majority of the committee is present. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final.

SECTION 3.08. Order of Business. The order of business at the annual meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (1) Report on the number of members present in person or by proxy in order to determine the existence of a quorum;
- (2) Reading of the notice of the meeting and proof of the due giving thereof, or of the waiver or waivers of notice of the meeting, as the case may be;
- (3) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- (4) Presentation and consideration of reports of officers, directors and committees;
- (5) Election of directors;
- (6) Other business, if any;
- (7) Adjournment.

Notwithstanding the foregoing, the Board may from time to time establish a different order of business for the purpose of assuring the earlier consideration of and action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business; PROVIDED, no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established. Additional agenda items or items of business may be added by the members, if a request for the same is made in writing to the Cooperative's principal office in Burgaw, North Carolina,

by at least ten (10) percent of the members entitled to vote at the meeting, and the request is received by the Cooperative's Secretary or President at least thirty (30) days prior to the meeting. In no event shall a petitioned item of business be considered at the meeting if the proposed item may not lawfully or properly be considered or determined by the members. If the Board determines that the members' request is improper, the Board's decision shall be communicated to the first member whose name appears in the written request.

ARTICLE IV DIRECTORS

SECTION 4.01. **Number and General Powers.** The business and affairs of the Cooperative shall be managed by a Board of ten (10) directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Certificate of Incorporation or these Bylaws conferred upon or reserved to the members.

SECTION 4.02. **Qualifications and Tenure.** No person shall be eligible to become or remain a director who:

- (i) is not a natural person; or
- (ii) is a close relative of an incumbent director; or
- (iii) is or has been, during the thirty-six (36) months immediately preceding the date for which said director stands for election or is appointed, an employee of the Cooperative, an employee or director of a competing utility; a close relative of an employee of the Cooperative; or a close relative of an employee or director of a competing utility; or
- (iv) has been determined by the other Board members, or if a candidate in a Board election, the Credentials and Elections Committee, to have an irreconcilable conflict of interest with the fiduciary duty owed by a director to the Cooperative; or
- (v) is not a member in good standing of the Cooperative and who has not received electric service from the Cooperative at his or her primary place of residence during the thirty-six (36) months immediately preceding the date for which said director stands for election or is appointed, or
- (vi) has not resided at his or her present address for at least twelve (12) months prior to being nominated for election or appointed to the Board from a specific, geographic Directorate District; or
- (vii) is not able to enter into legal and binding contracts under North Carolina law; or
- (viii) is employed by or substantially financially interested in a business that sells supplies or contracts with the Cooperative, except when the financial interest or sale of supplies or contracts, in the judgment of the then acting directors, excluding the director in question, is so inconsiderable and inconsequential as not to pose a reasonable prospect of conflict-of-interest; or

- (ix) is employed by, owns or has any financial interest in a business that competes, directly or indirectly, with the Cooperative or with any affiliate or subsidiary of the Cooperative, or
- (x) while serving on the Board or preceding his or her nomination thereof, shall have been finally adjudged to be guilty of a felony.

Upon discovery that any person lacks eligibility to serve as a director as provided in the previous paragraph, it shall be the duty of the remaining directors to withhold such office from such person or to remove him or her therefrom, as the case may be.

Notwithstanding restrictions relating to close relatives set forth above, no person shall lose eligibility to continue serving or to be redesignated or reelected to serve as a director because of a marriage or adoption to which he or she was not a party.

No person shall continue as a member of the Board after missing three (3) consecutive regular meetings of the Board unless a majority of the remaining directors by resolution determine that the absences were due to good cause and are not likely to continue for a substantial time in the future.

Failure of a designation, appointment or election of a director to take place or lack or loss of eligibility by a director, as in this Article provided, shall not invalidate any action taken by the Board of Directors.

SECTION 4.03. Election. At each annual meeting of the members, directors shall be elected by secret written ballot by the members and, except as provided in the first provision of Section 4.02 of these Bylaws, from among those members who are natural persons; PROVIDED, when the number of nominees does not exceed the number of directors to be elected at large or from a particular Directorate District, secret written balloting may be dispensed with in respect of that particular election and the uncontested nominee shall be deemed elected. Directors shall be elected by a plurality of the votes cast. Drawing by lot shall resolve, where necessary, any tie vote.

SECTION 4.04. Tenure. Directors shall be so nominated and elected that four (4) shall be elected for three-year terms at an annual member meeting, three (3) shall be elected for three-year terms at each of the two (2) consecutive succeeding annual member meetings, and so forth. Upon their election, directors shall, subject to the provisions of these Bylaws with respect to the removal of directors, serve until the annual meeting of the members of the year in which their terms expire or until their successors shall have been elected and shall have qualified. If for any reason an election of directors shall not be held at an annual meeting of the members duly fixed and called pursuant to these Bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special or the next annual meeting of the members. Failure of an election for a given year

shall allow the incumbents whose directorships would have been voted on to hold over only until the next member meeting at which a quorum is present.

SECTION 4.05. **Directorate Districts.** Directors shall be so nominated and elected that the Board shall be comprised of two (2) at-large directors and of one (1) director from each of the eight (8) Directorate Districts hereinafter described; provided, however, that no more than two (2) directors shall be from any one (1) Directorate District. The Directorate Districts shall be as follows:

Directorate District No.	Description
1	East Bladen District: All of Bladen and Columbus Counties lying East of Highway No. 701.
2	West Bladen District: All of Bladen County lying West of Highway No. 701.
3	East Duplin District: All of Duplin County lying East of Highway No. 11.
4	West Duplin District: All of Duplin County lying West of Highway No. 11.
5	West Pender District: All of Pender County lying West of Highway No. 117.
6	East Pender District: All of Pender County lying East of Highway No. 117.
7	East Sampson District: All of Sampson County lying East of Highway No. 421.
8	West Sampson District: All of Sampson County lying West of Highway No. 421.

Notwithstanding the foregoing number of Districts, District descriptions and the number of District and at-large directors presently provided for in this section and in other sections of this Article IV, every year the Board, not less than ninety (90) days prior to the first date on which the annual member meeting may be scheduled pursuant to these Bylaws to be held, shall review the Districts and directorates. If the Board determines that the boundaries or number of Districts should be altered or that the number of District or at-large directors should be increased or reduced, so as to correct any substantially inequitable factors regarding the residences of members, the number or geographic location of Districts or the number of District or at-large directors, the Board shall amend these Bylaws accordingly and may, after such amendments become effective, appoint any ad-

ditional directors provided for by such amendments, and may fix their respective initial terms, not to exceed three years. The Board shall cause all such amendments and the names, addresses and initial terms of any such newly appointed additional directors to be noticed in writing to the members not less than ten (10) days prior to the date on which the Committee on Nominations for the next annual member meeting shall first convene, and shall also, in timely advance of such Committee meeting, inform the members of the names and addresses of the members of the Nominating Committee and of the date, hour and place of that Committee's first meeting.

From and after the date of the notice of amendments, these Bylaws shall have been effectively amended accordingly; PROVIDED, no such amendment by the Board shall become effective so as to cause the vacancy of any director's office prior to the time his term would normally expire, unless he consents thereto in writing.

SECTION 4.06. Nominations. It shall be the duty of the Board to appoint, not less than forty-five (45) nor more than ninety (90) days prior to the date of a meeting of the members at which directors are to be elected, a Committee on Nominations, consisting of not less than (10) ten members of the Cooperative, who are not existing Cooperative employees, agents, officers, directors or known candidates for director, who are not close relatives or members of the same household thereof, and who are so selected that each of the Cooperative's Directorate Districts shall have representation thereon in proportion to the number of authorized directors from or with respect to such District. The Committee shall meet upon proper notice and make nominations, as hereafter provided. The Committee shall prepare and post at the district offices and headquarters office of the Cooperative, at least thirty (30) days prior to the meeting, a list of nominations for directors to be elected, listing separately the nominee(s) for each Directorate District or at-large Directorate from or with respect to which a director must, pursuant to this Article, be elected at the meeting. The Committee may include as many nominees for any director to be elected with respect to any Directorate District or at-large Directorate as it deems desirable. Any fifty (50) or more members of the Cooperative, acting together, may make additional nominations in writing over their signatures, listing their nominee(s) in like manner, not less than thirty (30) days prior to the meeting, and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted. All Petition nominations shall be submitted on the form to be provided by the Cooperative for such purpose; and other form of Petition shall be invalid. The Secretary shall mail to the members with the notice of the meeting, or separately, but at least ten (10) days prior to the date of the meeting, a statement of the names and addresses of all nominee(s) for each Directorate District and at-large Directorate from or with respect to which one or more directors must be elected, showing clearly those nominated by the Committee and those nominated by petition, if any. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board after the election of directors.

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

SECTION 4.08. Removal of Directors by Members. Cooperative members may remove any director for cause by the affirmative vote of two-thirds of those members attending a duly-called meeting. Cooperative members may not remove a Cooperative director without cause. Cooperative members must vote individually for each Cooperative director being considered for removal. Cooperative members may only remove a Cooperative director pursuant to this Bylaw.

The quorum for any meeting called to consider the removal of a director or directors shall be ten percent (10%) of the Cooperative's members, and no action shall be taken to act on the removal of a director or directors, unless ten percent (10%) of the members are present and duly registered at the meeting.

For removal purposes, "cause" shall mean that the director has committed an act, or omission, adversely affecting the Cooperative's business or affairs, or with the potential of adversely affecting the Cooperative's business or affairs, and amounting to (i) gross negligence, (ii) fraud, (iii) criminal conduct, or (iv) an intentional act or omission constituting a conflict of interest with the Cooperative. "Cause" for removal shall not mean making a good faith business or management decision or judgment with which Cooperative members disagree, including, but not limited to, making a good faith business or management decision or judgment to oppose selling all, or substantially all, of the Cooperative's assets.

A director shall be removed only upon compliance with the following procedures:

- (i) For each individual Cooperative director being considered for removal, presentation to the Cooperative's Board of Directors of a written petition which:
 - (a) States the name of the director being considered for removal,
 - (b) Individually describes and explains, in detail, each of the alleged reasons for removal and the basis for each reason,
 - (c) Notwithstanding any other member percentages contained in these Bylaws, is signed by at least ten percent (10%) of the Cooperative's members within sixty (60) days of the petition's date, and

- (d) Lists the names, addresses, telephone numbers and account numbers of all Cooperative members signing the petition.
- (ii) If the Cooperative's Board of Directors determines, in its discretion, that the petition complies with this Bylaw, and if the Cooperative's Secretary authenticates the petition and its members' signatures, then a meeting of the Cooperative's members shall be noticed pursuant to these Bylaws, and shall be held within sixty (60) days after the Cooperative receives the written petition. The notice of the meeting shall state that the purpose, or one of the purposes, of the meeting is to consider removing a director.
- (iii) At the meeting, evidence must be presented supporting the removal reasons alleged against the director. The director shall be entitled to be represented by counsel, and, before any vote, shall have an opportunity to refute any charges or statements against the director, and to present evidence in the director's defense.

Nothing contained in this Bylaw shall affect, in any manner, any action properly taken by the Cooperative's Board of Directors.

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

SECTION 4.10. **Compensation; Expenses.** Directors shall, as determined by resolution of the Board, receive on a per diem basis, a fixed fee, which may include insurance benefits, for attending meetings of the Board and, when such has had the prior approval of the Board for otherwise performing their duties. The fee or fees fixed for otherwise performing their duties need not be the same as the fee fixed for attending meetings of the Board. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred in performing their duties. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by a vote of the members or such payment and amount shall be specifically authorized by the Board upon their certification of such as an emergency measure; PROVIDED, a director who is also an officer of the Board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the Board.

SECTION 4.11. **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 these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 4.12. **Accounting System and Reports.** The Board 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 4.13. **Subscription to Four County Newsletter; Subscription to "Carolina Country."** For the purpose of disseminating information devoted to the economical, effective and conservative use of electric energy, the Board shall be authorized, on behalf of and for circulation to the members periodically, to subscribe to a newsletter devoted to activities of and items of interest concerning Four County Electric Membership Corporation . The Board shall likewise be authorized, on behalf of and for circulation to the members periodically, to subscribe to "Carolina Country," or a similar publication devoted to the activities of and circulated by Carolina Electric Cooperatives. The costs, including mailing, of such subscriptions shall be deducted from any funds accruing in favor of such members, so as to reduce such funds in the same manner as would any other expense of the Cooperative.

SECTION 4.14. **"Close Relative" Defined.** As used in these Bylaws, "close relative" means a person who, by blood or in law, including step, half, foster and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the principal person.

ARTICLE V MEETINGS OF DIRECTORS

SECTION 5.01. **Regular Meetings.** A regular meeting of the Board shall be held, without notice, immediately after the adjournment of and at the same place as the Annual Meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual meeting. A regular meeting of the Board shall also be held monthly at such date, time and place in one of the counties in North Carolina within which the Cooperative serves

as the Board may provide by resolution. Except when business to be transacted thereat 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; AND PROVIDED FURTHER, if a policy therefore is established by the Board, the President may change the date, time or place of a regular monthly meeting for good cause and upon at least five (5) days notice thereof to all directors.

SECTION 5.02. **Special Meetings.** Special meetings of the Board may be called by Board resolution, by the President or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03. The Board, the President or the directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties in which the Cooperative operates unless all directors consent to its being held in some other place in North Carolina or elsewhere. Special 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 all the directors consent thereto.

SECTION 5.03. **Notice of Directors Meetings.** Written notice of the date, time, place (or telephone conference call) and purpose or purposes of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each director not less than five (5) days prior thereto, either personally or by mail, by or at the direction of the Secretary or, upon his default in this duty, by him or those calling it in the case of a special meeting or by any other director or officer in the case of any meeting whose date, time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at his address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. The attendance of a director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

SECTION 5.04. **Quorum.** The presence in person of a majority of the directors in office shall be required for the transaction of business and the affirmative votes of a majority of the directors present and voting shall be required for any action to be taken; PROVIDED, 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 quorum be present

at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause the absent directors to be duly and timely notified of the date, time and place of such adjourned meeting.

SECTION 5.05. Telecommunication Participation at Meetings. Special meetings of the Board may be held via teleconference; so long as proper notice of the meeting is called and if all directors consent thereto. Additionally, individual directors may participate via telecommunication in a specially called meeting at the discretion of the presiding officer at the meeting, and so long as: i) notice of the need to participate via telecommunication is provided to the Cooperative at least five (5) days before the meeting is held, or ii) it is an emergency situation.

ARTICLE VI OFFICERS; MISCELLANEOUS

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

SECTION 6.02. Election and Term of Office. The officers named in Section 6.01 shall be elected by secret written ballot, annually and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of 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 6.03. 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.

SECTION 6.04. 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 6.05. President.** The President --
- (a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the Board, and, unless determined otherwise by the Board, at all meetings of the members;
 - (b) sign, with the Secretary, certificates of membership the issue and their

execution of which shall have been authorized by resolution of the Board, and 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

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

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

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

- (a) 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;
- (b) see that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all documents the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these Bylaws or is required by law;
- (d) keep, or cause to be kept, a register of the name and post office address of each member, which address shall be furnished to the Cooperative by such member;
- (e) sign, with the President, certificates of membership the issue and their execution of which shall have been authorized by resolution of the Board;
- (f) have general charge of the books of the Cooperative in which a record of the members is kept;
- (g) keep on file at all times a complete copy of the Cooperative's Certificate of Incorporation and 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
- (h) 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 6.08. **Treasurer.** The Treasurer shall --

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit 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
- (c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board.

SECTION 6.09. **Delegation of Secretary's and Treasurer's Responsibilities.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer herein before provided in Sections 6.07 and 6.08, 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.

SECTION 6.10. **Chief Executive Officer.** The Board shall appoint a Chief Executive Officer 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.

SECTION 6.11. **Bonds.** The Board shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to be bonded in such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent or employee of the Cooperative to 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 6.12. **Compensation; Indemnification.** The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be determined as provided in Section 4.10 of these Bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed or a plan therefor approved by the Board. The Cooperative shall indemnify present and former directors, officers, including the Chief Executive Officer, and may, but shall not be obligated to, indemnify one or more of its other agents and employees against liability to the extent allowable by law; and may purchase insurance to cover such indemnification in such amounts as are fixed by the Board.

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

ARTICLE VII FINANCIAL TRANSACTIONS

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

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

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

ARTICLE VIII MEMBERSHIP CERTIFICATES

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

SECTION 8.02. **Issue of Membership Certificates.** No membership certificate shall be issued for less than the membership fee fixed by these bylaws nor until such membership fee and any additional payments have been fully paid.

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

ARTICLE IX
NONPROFIT OPERATION

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

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

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be used to offset any losses incurred during the current or any prior fiscal year.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members; PROVIDED, insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during that period insofar as is practicable, as determined by the Board, before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that

the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Beginning with 1987, the Board shall determine the method, basis, priority and order of making such retirements.

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

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

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

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

ARTICLE X WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by these Bylaws or any notice that may otherwise be legally required, either before or after such notice is required to be given.

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

SECTION 11.01. Disposition and Pledging of Property.

(a) Not inconsistently with the provisions of subsection (b) hereof, the Cooperative shall not sell, mortgage, lease or otherwise encumber or dispose of any of its property (other than merchandise and property which lie within the limits of an incorporated city or town, which shall represent not in excess of ten (10%) percent of the total value of the Cooperative's assets, or which in the judgment of the Board are not necessary or useful in operating the Cooperative) unless (1) authorized so to do by the votes cast in person by at least two-thirds (2/3) of its total membership, and (2) the consent of the holders of seventy-five (75%) percent in amount of the Cooperative's outstanding bonds.

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

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

(1) Before the Board may submit to the members any proposal for such a transaction, it shall first appoint three (3) independent appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a transaction and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be designated by a Superior Court Resident Judge for the Judicial District in North Carolina in which the Cooperative's headquarters are located. If such judge refuses to make such designations, they shall be made by the Board.

(2) If the Board of Directors, after receiving such appraisals (and other terms and conditions which are recommended, if any), determines that the proposal should be submitted for consideration by the members, it shall first give every other electric membership corporation corporately sited and operating in North Carolina (which has not made such an offer for such transaction an opportunity to submit competing or alternate proposals. Such opportunity shall be in the form

of a written notice to such electric cooperatives, which notice shall be attached to a copy of the proposal which the Cooperative has already received and a copy of the report(s) of the three (3) appraisers. Such electric membership corporations shall be given not less than thirty (30) days during which to submit competing or alternate proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

(3) If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not less nor more than ninety (90) days after the giving of such notice to the members; PROVIDED, consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is held not less nor more than ninety (90) days after the giving of such notice.

(4) Any fifty (50) or more members, by so petitioning the Board not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

The provisions of this subsection (b) shall not apply to a sale, lease, lease-sale, exchange or other disposition to one or more other electric membership corporations if the substantive effect thereof is to merge or consolidate with such other one or more electric membership corporations.

SECTION 11.02. Distribution of Surplus Assets on Dissolution. Upon the Cooperative's dissolution, any assets remaining after all liabilities or obligations of the Cooperative have been satisfied and discharged shall, to the extent practicable as determined by the Board, not inconsistently with the provisions of the third paragraph of Section 9.02 of these Bylaws, be distributed without priority among all persons who are or who have been members of the Cooperative at any time during the fiscal year in which such dissolution is authorized by vote of the members or any of the six (6) next preceding fiscal years, on the basis that their respective patronage during such periods bears to the total receipts of the Cooperative for all such years; PROVIDED, HOWEVER, if in the judgment of the Board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation.

ARTICLE XII
FISCAL YEAR

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

ARTICLE XIII
RULES OF ORDER

Parliamentary procedure at all meetings of the members, of the Board, of any committee provided for in these Bylaws and of any other committee of the members or Board which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Certificate of Incorporation or Bylaws. This Article shall be subordinate to any other provision of these Bylaws pertaining to the votes required for action by members, directors or committees. Additionally, no action by the Board at any general or special Board meeting or at any meeting of a Board committee, shall be invalidated because the procedural requirements of Robert's Rules of Order were not specifically followed when the action was taken.

ARTICLE XIV
SEAL

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

ARTICLE XV
AMENDMENTS

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





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A Touchstone Energy® Cooperative 

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