

BYLAWS OF  
CARTERET-CRAVEN ELECTRIC MEMBERSHIP CORPORATION

This version adopted June 28, 2004 and amended: December 17, 2007  
October 24, 2011  
June 27, 2016  
April 27, 2020

## **ARTICLE I: General Provisions**

- Section 1.1 Usage
- Section 1.2 Defined Terms
- Section 1.3 Law and Articles
- Section 1.4 Validity of Electronic Signatures

## **ARTICLE II: Membership**

- Section 2.1 Eligibility
- Section 2.2 Cooperative Membership; Renewal of Prior Membership
- Section 2.3 Connection and Related Fees
- Section 2.4 Member Classes
- Section 2.5 Joint Membership
- Section 2.6 Acceptance into Membership
- Section 2.7 Provision of Cooperative Services
- Section 2.8 Excess Payments to be Credited as Member-Furnished Capital
- Section 2.9 Wiring of Premises; Responsibility for Wiring, Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility
- Section 2.10 Member Arbitration, Indemnification, and Liability
- Section 2.11 Access
- Section 2.12 Member to Grant Property Rights to Cooperative
- Section 2.13 Energy Conservation
- Section 2.14 Statement of Nondiscrimination

## **ARTICLE III: Membership Suspension and Termination**

- Section 3.1 Suspension
- Section 3.2 Termination
- Section 3.3 Termination by Withdrawal or Resignation
- Section 3.4 Termination by Death or Cessation of Existence; Continuation of Membership in a Remaining Partner
- Section 3.5 Effect of Termination
- Section 3.6 Effect of Death, Legal Separation or Divorce Upon a Joint Membership
- Section 3.7 Acceptance of Members Retroactively

## **ARTICLE IV: Meetings of Members**

- Section 4.1 Annual Meeting
- Section 4.2 Special Member Meetings
- Section 4.3 Notice of Member Meetings
- Section 4.4 Quorum for Member Meetings
- Section 4.5 Credentials and Elections Committee
- Section 4.6 Voting
- Section 4.7 Order of Business
- Section 4.8 Member Suggested Resolutions and New Business
- Section 4.9 Delayed or Cancelled Annual Meeting of Members

## **ARTICLE V: Directors**

- Section 5.1 General Powers and Responsibilities
- Section 5.2 Director Conduct
- Section 5.3 Qualifications
- Section 5.4 Disqualification of Nominees, Candidates and Directors
- Section 5.5 Elections
- Section 5.6 Tenure
- Section 5.7 Directorate Districts
- Section 5.8 Nominations
- Section 5.9 Voting for Directors; Validity of Board Action

- Section 5.10 Attendance at Board Meetings
- Section 5.11 Director Resignation
- Section 5.12 Removal of Directors by Members
- Section 5.13 Vacancies
- Section 5.14 Compensation; Expenses
- Section 5.15 Rules, Regulations, Rate Schedules and Contracts
- Section 5.16 Accounting System and Report
- Section 5.17 "Close Relative" Defined
- Section 5.18 Director Emeritus
- Section 5.19 Directors May Not be Employees, Etc.

**ARTICLE VI: Meeting of Directors and Board Committees**

- Section 6.1 Regular Board Meetings
- Section 6.2 Special Board Meetings
- Section 6.3 Waiver of Board Meeting Notice
- Section 6.4 Quorum
- Section 6.5 Procedures for Board Meetings
- Section 6.6 Special Procedure for Consideration of Offers to Purchase
- Section 6.7 Committees
- Section 6.8 Board Executive Committee
- Section 6.9 Board Finance Committee

**ARTICLE VII: Officers**

- Section 7.1 Officer Standard of Conduct
- Section 7.2 Required Officers; Election; Terms
- Section 7.3 Removal
- Section 7.4 Vacancies
- Section 7.5 President
- Section 7.6 Vice President
- Section 7.7 Secretary
- Section 7.8 Treasurer
- Section 7.9 Delegation of Secretary's and Treasurer's Responsibilities
- Section 7.10 Chief Executive Officer and General Manager
- Section 7.11 Bonds of Officers
- Section 7.12 Compensation
- Section 7.13 Reports
- Section 7.14 Indemnification

**ARTICLE VIII: Contracts, Checks and Deposits**

- Section 8.1 Contracts
- Section 8.2 Checks, Drafts, etc.
- Section 8.3 Deposits

**ARTICLE IX: Non-Profit Operations**

- Section 9.1 Interest or Dividends on Capital Prohibited
- Section 9.2 Patronage Capital in Connection with Furnishing Electric Energy

**ARTICLE X: Payment of Expenses, Etc. in Sellout Deliberations**

**ARTICLE XI: Waiver of Notice**

**ARTICLE XII: Disposition & Pledging of Property; Distribution of Surplus Assets on Dissolution**

- Section 12.1 Transfer of Cooperative Assets
- Section 12.2 Distribution of Surplus Assets on Dissolution
- Section 12.3 Merger or Consolidation

**ARTICLE XIII: Fiscal Year**

**ARTICLE XIV: Rules of Order**

**ARTICLE XV: Seal**

**ARTICLE XVI: Legal Formalities**

**ARTICLE XVII: Amendments**

ARTICLE I GENERAL  
PROVISIONS

**Section 1.1. Usage.** Within these Bylaws of Carteret-Craven Electric Membership Corporation (“Cooperative”) as currently existing or as later amended (“Bylaws”), except as otherwise provided and subject to the context requiring otherwise:

1. words and phrases have their customary and ordinary meaning;
2. the singular use of a word includes the plural use and the plural use of a word includes the singular use;
3. the masculine use of a word includes the feminine and neutral uses, the feminine use of a word includes the masculine and neutral uses, and the neutral use of a word includes the masculine and feminine uses;
4. the present tense of a word includes the past and future tenses, and the future tense of a word includes the present tense;
5. the word “Cooperative” when used in a sentence authorizing or requiring action of the Cooperative means that the Cooperative’s executive management is delegated the responsibility to ensure the action is completed;
6. the words “shall” and “must” are words of obligation, with “shall” meaning “has a duty to” and “must” meaning “is required to;”
7. the word “may” is a word of discretion meaning “has discretion to,” “is permitted to,” “is authorized to,” or “is entitled to;”
8. the words “may ... only” are words of limited discretion and prohibition;
9. the words “shall not,” “must not,” and “may not” are words of prohibition, with “shall not” meaning “has a duty not to,” “must not” meaning “is required not to,” and “may not” meaning “has no discretion to,” “is not permitted to,” “is not authorized to,” and “is not entitled to;”
10. an exception to a word of obligation is a word of discretion and an exception to a word of discretion is a word of prohibition;
11. the words “except as otherwise provided,” “subject to,” and similar words are words of limitation and exception;
12. the words “include,” “includes,” and “including” mean “include without limitation,” “includes without limitation,” and “including without limitation;”
13. the word “or” is inclusive, with “A or B” meaning “A or B or both;” and
14. the word “individual” means a “natural person” or “human being.”

**Section 1.2. Defined Terms.** These Bylaws define certain words, phrases, and terms (“Defined Terms”). In general, Defined Terms are: (1) defined in a full sentence or part of a sentence; (2) capitalized, underlined, and enclosed within quotation marks when defined; (3) enclosed within parenthesis when defined in part of a sentence; and (4) capitalized when otherwise used in these Bylaws. Except as otherwise provided in these Bylaws and subject to the context requiring otherwise, Defined Terms have the meaning specified in the appropriate Bylaw.

**Section 1.3 Law and Articles.** These Bylaws are subject to Law and the Certificate of Incorporation of the Cooperative (“Articles”). If, and to the extent that, a Bylaw conflicts with Law or the Articles, then the Law or Articles control. “Law” includes applicable:

- (1) local, state, and federal constitutions, statutes, ordinances, regulations, holdings, rulings, orders, and similar documents or actions, whether legislative, executive, or judicial; and
- (2) legally binding contracts enforceable by or against the Cooperative, including legally binding contracts between the Cooperative and an applicant or Member.

**Section 1.4. Validity of Electronic Signatures.** To the extent that any document or communication affecting or relating to the relationship between the Cooperative and the Members or Directors, is completed or transmitted by electronic means, the Member or Director agrees to be bound by federal and state laws and regulations governing the validity of such communications and electronic signatures, and agrees that any such electronic transmission to or from the Member or Director satisfies any requirement imposed by the Governing Documents or the law that a document, communication, signature, notice or other communication be in writing. The Member or Director agrees that any document sent electronically to the Member or Director or former Member at the

Member's last known electronic address is considered received on the date sent by the Cooperative.

## ARTICLE II MEMBERSHIP

**Section 2.1. Eligibility.** Except as otherwise provided in these Bylaws, an individual or Entity may become and remain a member of the Cooperative only if: (1) the individual or Entity is a person with the capacity to enter legally binding contracts ("Person"); and (2) the Person consumes, receives, purchases, or otherwise uses electric energy or a Cooperative Service generated, transmitted, distributed, sold, supplied, furnished, or otherwise provided by the Cooperative (such person being a "Member" and the Member being in a "Membership"). A "Cooperative Service" is: (1) electric energy provided by the Cooperative; and (2) as determined by the Cooperative's Board of Directors ("Board"), a good or service Provided by the Cooperative. An "Entity" includes a domestic or foreign: cooperative; business or nonprofit corporation; sole proprietorship; unincorporated association; limited liability company; partnership; trust; estate; persons having a joint or common economic interest; and local, regional, state, federal, or national government, including an agency or division of a government.

No person shall hold more than one membership in the Cooperative.

**Section 2.2. Cooperative Membership; Renewal of Prior Membership.** An eligible Person consents to becoming a Member of the Cooperative ("Member"), and the Cooperative shall automatically accept such Person as a Member upon the Person's initial use or request to use a Cooperative Service pursuant to Section 2.6 (Acceptance into Membership). A Member shall: (1) comply with the Governing Documents, as defined below; (2) provide and maintain a current mailing address and telephone number with the Cooperative; and (3) pay the Cooperative for the Cooperative's damages, costs, or expenses, including attorney fees and legal expenses, caused by or associated with the Member's failure to comply with the Governing Documents.

If a Member fails to comply with the Governing Documents, then, as provided in these Bylaws, the Cooperative may suspend or terminate the Member or a Cooperative service provided to the Member. Regardless of whether money damages are available or adequate, the Cooperative may: (1) bring and maintain a legal action to enjoin the Member from violating the Governing Documents; and (2) bring and maintain a legal action to order the Member to comply with the Governing Documents.

The Articles and these Bylaws are contracts between the Cooperative and a Member. By becoming a Member, the Member acknowledges that: (1) every Member is a vital and integral part of the Cooperative; (2) the Cooperative's successful operation depends upon each Member complying with the Governing Documents; and (3) Members are united in an interdependent relationship.

Each Member agrees to:

1. Comply with the following documents and materials, all as currently existing and as later adopted or amended (collectively, "Governing Documents"), ensure that any product, equipment, structure, facility, or other good owned, controlled, operated, or furnished by the Member ("Member Equipment") and connected to any product, equipment, structure, facility, or other good owned, controlled, operated, or furnished by the Cooperative ("Cooperative Equipment") complies with the following Governing Documents, and ensure that any act or omission involving any Member Equipment connected to any Cooperative Equipment complies with the following Governing Documents:
  - a. All applicable laws and legally binding agreements regarding the:
    - 1) Cooperative;
    - 2) Cooperative's operation;
    - 3) Cooperative's assets;
    - 4) Cooperative's Members and patrons;
    - 5) Provision and use of Cooperative services;
    - 6) Cooperative equipment; and
    - 7) Member equipment connected to Cooperative equipment,
    - 8) including, but not limited to, all applicable:

- i. Legislative, executive, administrative, and judicial constitutions, statutes, case law, regulations, ordinances, rulings, or orders;
  - ii. Local, state, and federal constitutions, statutes, case law, regulations, ordinances, rulings, or orders;
  - iii. Contractual provisions legally enforceable by, or against, the Cooperative; and
  - iv. Legally binding contracts between the Cooperative and the Member;
- b. The Cooperative's Articles;
  - c. These Bylaws;
  - d. The Cooperative's service rules and regulations;
  - e. The National Electrical Code
  - f. The National Electrical Safety Code
  - g. The Cooperative's rate or price schedules; and
  - h. All rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or actions taken, adopted, promulgated, or adopted by the Board or Membership;
2. Be a Member; and
  3. At prices, rates, or amounts determined by the Board, and pursuant to the terms, conditions, time, and manner specified by the Cooperative, pay the Cooperative for all:
    - a. Cooperative services used:
      - a. By the Member; or
      - b. At or for any location occupied by the Member, or rented or leased to a nonmember; and
      - c. Dues, assessments, fees, deposits, contributions, or other amounts required by the Articles, these Bylaws, the Board, or Law.
  4. With respect to any particular classification of service for which the Board shall require it, such request shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided by the Cooperative. The request shall be accompanied by such connection fee as is provided for by the Board (together with any signed supplemental contract, contribution in aid of construction, and/or service security deposit, that may be required by the Cooperative), which fees and deposit, if any, shall be refunded in the event the request is not approved.
  5. Any former Member of the Cooperative may, by the sole act of paying a new connection fee, contribution in aid of construction (if applicable), and/or service security deposit required by the Cooperative, together with any outstanding amount owed by him to the Cooperative plus accrued interest thereon at the monthly periodic rate of 1.5% (18% per annum) until paid in full, renew and reactivate any prior request for Membership to the same effect as though the request had been newly executed on the date of such payment.
  6. Notwithstanding the foregoing provisions of this Section, any person who was a member of any other electric membership corporation which, by consolidation, merger, or acquisition, was combined with and into the Cooperative shall, by that very fact, become and be a Member of the Cooperative, effective on the date of such combination.

**Section 2.3. Connection and Related Fees.** For each service connection, the Member shall pay such connection fee, security deposit, and/or contribution in aid of construction as is provided for by the Board. Notwithstanding the foregoing provisions of this Section, no person who becomes a Member of the Cooperative by virtue of the last sentence of Section 2.2 shall be required to pay a different service connection fee or service security deposit on connections existing at the time of consolidation than was required and collected by the electric membership corporation of which, prior to its combination with the Cooperative, he was a member.

**Section 2.4. Member Classes.** Based upon the Cooperative services used by Members, the Cooperative may group Members in the following classes ("Member Classes"):

Class A Member: Any Member that, at or for any location occupied by the Member, which location annually requires or is expected to annually require at least 2,400 kilowatt-hours (2,400 kWh) of electric energy; and

1. Continually uses electric energy generated, purchased, or sold by the Cooperative for all of the electric energy used at the location; and

2. Continually uses all other Cooperative services reasonably related to the Member using electric energy at the location.

Class B Member: Any Member continually using any Cooperative service reasonably related to the Member using electric energy at or for a location occupied by the Member.

Class C Member: Any Member periodically or continually using a Cooperative service, the income from which may be exempt from federal income taxation.

Class D Member: Any Member periodically or continually using a Cooperative service. In classifying or reclassifying Members:

1. No Member may be a Member of more than one (1) Member class;
2. The Cooperative shall classify or reclassify a Member first as a Class A Member, if possible, then as a Class B Member, if possible, then as a Class C Member, if possible, and then as a Class D Member, if possible; and
3. Upon the Cooperative learning that a Member of a Member class has failed to continually use for at least three (3) months any Cooperative service for which continual use is required to be in the Member class, the Cooperative may reclassify the Member, and the Cooperative shall not again reclassify the Member for at least three (3) months.

Unless otherwise provided in these Bylaws:

1. The term "Member" includes all Member Classes; and
2. All Members have the same rights and obligations.

**Section 2.5. Joint Membership.** Any two (2) individuals joined in marriage may be accepted into joint Membership by requesting service from the Cooperative in both of their names, or if one of them is already a Member, convert such Membership into a joint Membership. The words "Member," "applicant," "person," "his" and "him," as used in these Bylaws, also includes any two (2) individuals joined in a legal relationship applying for or holding a joint Membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, responsibilities and liabilities of Membership shall apply equally 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 a proxy executed by, either or both shall constitute, respectively, one joint vote or proxy; provided, that if both be present but in disagreement on such vote, each shall cast only one-half (1/2) vote; and provided further, that if each executes a separate proxy, the one most recently executed shall revoke the former and shall constitute their sole joint proxy; or, if each executes a separate proxy on the same date, the holder or holders thereof shall cast only one-half (1/2) vote in respect of each;
3. Notice to, or waiver of notice signed or otherwise effected by, either or both shall constitute, respectively, a joint notice or waiver of notice;
4. Suspension or termination in any manner of either shall constitute respectively, suspension or termination of the joint Membership;
5. Each, but not both concurrently, shall be eligible to serve as an officer or Director of the Cooperative, but only if both meet the Director qualification requirements; and
6. A person who is part of a joint Membership may establish additional service connections as an individual, but the person shall be a Member only through the joint Membership.

**Section 2.6. Acceptance into Membership.** Upon complying with the requirements set forth in Section 2.2, any applicant shall automatically be accepted into Membership in, and become eligible to receive electric energy provided by the Cooperative or any good or service provided by the Cooperative. If the Board determines that a Member who joined automatically as set forth in this Section is unable to abide by the Membership requirements, then the Board may suspend or terminate the person's Membership in the Cooperative.

**Section 2.7 Provision of Cooperative Services.** The Cooperative shall use reasonable diligence to furnish its Members with adequate and dependable service. However, the Cooperative does not insure, guarantee, or warrant that it will provide adequate, continuous, or non-fluctuating electric energy or other Cooperative Service. The Cooperative is not liable for damages, costs, or expenses,

including attorney fees or legal expenses, caused by the Cooperative providing inadequate, noncontinuous, or fluctuating electric energy or other Cooperative Service, unless the damages, costs, or expenses are caused by the Cooperative's gross negligence or willful misconduct. The Cooperative's responsibility and liability for providing a Cooperative Service terminate upon delivery of the Cooperative Service to a Member. In case of emergency, or as requested by government or emergency officials or representatives, the Cooperative may interrupt the provision of Cooperative Services to Members.

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 energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his Membership, unless and except to the extent that the Board may in writing waive such requirement; and shall pay for such purchases in accordance with the rules, regulations, rate classifications, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric 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

2.2 (Cooperative Membership; Renewal of Prior Membership). Each Member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable.

Production or use of electric energy on any premises owned or directly occupied or used by a Member, 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. 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 proration.

Unpaid bills for electric energy and any other debt owed the Cooperative shall be a lien on the Member's Capital Credits (as defined in Section 9.2) and, if past due, may be deducted from these Capital Credits whenever the Board authorizes a distribution of Capital Credits to the Members.

**Section 2.8. 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 2.9. Wiring of Premises; Responsibility for Wiring, Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility.** Each Member shall cause all premises receiving electric service pursuant to his Membership to become and to remain wired in accordance with the specifications of the North Carolina Fire Insurance Underwriters Association, the National Electrical Code, any applicable state code or local government ordinances, and requirements of the Cooperative. If the foregoing specifications are variant, the more exacting standards shall prevail. A Member shall take or omit any act required by the Cooperative to safely, reliably, and efficiently operate the Cooperative and provide a Cooperative Service, which act involves: (1) a location occupied by the Member and to or for which the Cooperative provides or will provide a Cooperative Service; (2) real or personal property in which the Member possesses a legal or equitable right or interest; (3) Cooperative Equipment; or (4) Member Equipment connected to Cooperative Equipment. A Member shall: (1) protect Cooperative Equipment and Member Equipment connected to Cooperative Equipment; and (2) install and maintain any protective device, and implement and follow any protective procedure, required by the Cooperative. As necessary to safely, reliably, and efficiently operate the Cooperative and provide a Cooperative Service, the Cooperative may temporarily suspend or terminate provision of a Cooperative Service. A Member shall not tamper with, alter, interfere with, damage, or impair Cooperative Equipment. Except as otherwise provided by the Board, the Cooperative owns all Cooperative Equipment.

If Member Equipment is connected to Cooperative Equipment, then: (1) the Member is, and the Cooperative is not, responsible for designing, installing, operating, maintaining, inspecting, repairing, replacing, and removing the Member Equipment; (2) the Cooperative is not liable for damage to, or for the performance of, the Member Equipment; (3) the Cooperative is not liable for damage to Member property; (4) the Member is responsible for knowing the concerns, risks, and issues associated with operating the Member Equipment and connecting the Member Equipment to Cooperative Equipment;

(5) the Member is liable for damage to, and for the nonperformance of, the Cooperative Equipment caused by the Member Equipment or the connection; and (6) the Member is liable for, and must indemnify the Cooperative against, injury or death to any Person and damage to any property caused by, or resulting from, the Member Equipment or the connection.

**Section 2.10. Member Arbitration, Indemnification, and Liability.** Whenever requested by the Cooperative, a Member shall:

- (1) Submit a claim or dispute between the Member and the Cooperative regarding the Governing Documents, the Cooperative's provision of a Cooperative service, or the Member's use of a Cooperative service to mediation and arbitration and shall comply with an arbitration award according to the rules and procedures prescribed by the operative Sections of Article 45C of Chapter 1 of the North Carolina General Statutes. A demand for arbitration shall be made within a reasonable time after the claim, dispute or other matter in question has arisen.
- (2) Indemnify the Cooperative for, and hold the Cooperative harmless from, liabilities, damages, costs, or expenses, including reasonable attorney fees and legal expenses, incurred by the Cooperative, or by a Cooperative Director, Officer, employee, agent, or representative (collectively, "Cooperative Official"), and caused by the Member's negligence, gross negligence, or willful misconduct, or by the unsafe or defective condition of a location occupied by the Member.

In general, a Member is not liable to third parties for the Cooperative's acts, debts, liabilities, or obligations solely because of Membership in the Cooperative. A Member may become liable to the Cooperative as provided in the Governing Documents or as otherwise agreed to by the Cooperative and the Member.

**Section 2.11. Access.** Each Member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each Member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his best efforts to prevent others from so doing.

Each Member shall also provide such protective devices to his premises, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the Member, or by any other person when the Member's reasonable care and surveillance could have prevented such, the Member shall indemnify the Cooperative and its officers, 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 Cooperative 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 2.12. Member to Grant Property Rights to Cooperative.** As required by the Cooperative for a Cooperative Purpose, each Member shall, upon being requested to do so by the Cooperative and without compensation from the Cooperative, execute and deliver to the Cooperative grants of easement, right-of-way, license or other grant or interest in Member property, whether over, on, or under such lands owned, leased, mortgaged, by the Member. In the event

Member has a mortgage or lien on a property, the Member shall not use the mortgage or lien as a reason to object to the grant of property rights pursuant to this section.

A "Cooperative Purpose" is at any time, and in a manner determined by the Cooperative: (1) purchasing, installing, constructing, inspecting, monitoring, operating, repairing, maintaining, removing, relocating, upgrading, or replacing Cooperative Equipment or Member Equipment

connected to Cooperative Equipment; (2) clearing, trimming, removing, or managing any trees, bushes, brush, or other vegetation; (3) providing a Cooperative Service to a Member or one or more other Members; (4) monitoring, measuring, or maintaining a Cooperative Service provided to a Member or one or more other Members; (5) Providing electric energy to a Person or one or more other Persons; (6) monitoring, measuring, or maintaining electric energy Provided to a Person or one or more other Persons; (7) authorizing, permitting, satisfying, or facilitating an obligation incurred, or right granted, by the Cooperative regarding use of Cooperative Equipment; or (8) safely, reliably, and efficiently operating the Cooperative or providing a Cooperative Service.

**Section 2.13. Energy Conservation.** 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 energy management, to more efficiently utilize or conserve electric energy or to conduct energy usage research.

**Section 2.14 Statement of Nondiscrimination.** The Cooperative is the recipient of Federal financial assistance from the Rural Utilities Service, an agency of the U. S. Department of Agriculture. Because of this relationship with the Federal government, the Cooperative is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination Act of 1975, as amended; and the regulations of the U. S. Department of Agriculture. In accordance with such laws and regulations, the Cooperative is prohibited from discriminating on the basis of race, color, national origin, sex, religion, age, disability, and any other class of persons designated by federal law as protected.

The official responsible for coordinating the Cooperative's nondiscrimination compliance efforts is the Chief Executive Officer and General Manager. The Cooperative encourages persons who believe they have been improperly discriminated against to contact the Chief Executive Officer and General Manager. However, the person may also file a confidential complaint directly with the Federal government. To file a confidential complaint of discrimination, write to: USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410, or call (202) 720-5964 (voice or TDD).

The complaint should contain specific factual allegations that the Cooperative, its employees, or directors violated a person's civil rights as protected by Federal law and regulation. Written discrimination complaints must be filed not later than 180 days from the date of the alleged discrimination, unless the time for filing the complaint has been extended by the Secretary of Agriculture. Identity of complainants will be kept confidential except to the extent necessary to carry out the purposes of the rules and regulations of the U. S. Department of Agriculture.

### ARTICLE III MEMBERSHIP SUSPENSION AND TERMINATION

#### **Section 3.1. Suspension.**

1. Suspension Reasons. The Cooperative may suspend a Member for the following reasons ("Suspension Reasons"):
  - a. As otherwise provided in the Articles or these Bylaws;
  - b. As required or permitted by Law;
  - c. For good cause determined by the Board; or If the Member:
    - a. Fails to timely complete the Membership procedure;
    - b. Fails to timely comply with the governing documents;
    - c. For six (6) consecutive months, ceases using any Cooperative service;
    - d. Dies, legally dissolves, or legally ceases to exist;
    - e. Tampers with, alters, interferes with, damages, or impairs any Cooperative equipment; or
    - f. Voluntarily requests suspension.
2. Notice and Comment. Unless otherwise determined by the Board, a Member is suspended upon:
  - a. The Member's voluntary request for suspension; or
  - b. Unless otherwise provided in these Bylaws, and following the occurrence of a suspension

reason other than a Member's voluntary request for suspension, the Cooperative:

- i. Provides the Member at least fifteen (15) days prior written notice of the Member's possible suspension and the underlying suspension reason; and
- ii. Notifies the Member that the Member has, and allows the Member, at least five (5) days after the effective date of the notice to comment upon the suspension reason, either orally or in writing.

Any written suspension notice provided by mail must be mailed to the Member's most current address shown on the membership list. Unless otherwise determined by the Board, a partnership-member or limited liability company ("LLC") member continuing to use a Cooperative service is not automatically suspended upon the death of any partner or member of the LLC, or following any other alteration in the partnership or LLC or upon the death, withdrawal, or addition of a manager or member of the LLC. A partner or member leaving a partnership or LLC agrees to become and remain liable to the Cooperative for any amounts owed to the Cooperative by the partnership or LLC at the time of the partner's departure.

3. Effect of Member suspension upon Cooperative. Upon a Member's suspension, and other than the Cooperative's:
  - a. Obligation to retire and refund Capital Credits and affiliated Capital Credits; and
  - b. Obligations regarding the Cooperative's dissolution,

then:

- a. The Cooperative's duties, obligations, and liabilities imposed by these Bylaws for the Member cease; and
  - b. The Cooperative may cease providing any Cooperative services to the Member.
4. Effect of Member suspension upon Member. Other than the right to receive retired and refunded Capital Credits and affiliated Capital Credits, and other than rights upon the Cooperative's dissolution, a suspended Member forfeits and relinquishes all rights provided in the Governing Documents. In particular, a suspended Member forfeits and relinquishes any voting rights provided by law, the Articles, or these Bylaws. A suspended Member, however, remains subject to all obligations imposed by the Governing Documents.
  5. Lifting of Suspension. Unless otherwise determined by the Board, a Member's suspension is automatically lifted upon the Member rectifying, to the Cooperative's reasonable satisfaction, the underlying suspension reason within ten (10) days of the suspension. The Board may lift any Member suspension for good cause as determined by the Board.

**Section 3.2. Termination.** The membership of the Member shall be terminated without further action by the Cooperative unless the Member shall request in writing within thirty (30) days of the effective date of the suspension a hearing before the Board. The termination, but not the suspension, shall be held in abeyance until the Board has held the hearing and voted on the termination. Termination of a Member does not release the Member from any debts, liabilities, or obligations owed the Cooperative. Upon a Member's termination from the Cooperative, and after deducting any amounts owed the Cooperative, the Cooperative shall return to the Member any amounts authorized by the Board consistent with normal amounts returned to terminated Members, unless deemed otherwise for good cause by the Board.

**Section 3.3. Termination by Withdrawal or Resignation.** A Member shall withdraw from membership upon such generally applicable conditions as the Board shall prescribe and upon becoming ineligible under the provisions of Section 2.1 for membership in the Cooperative.

**Section 3.4. Termination by Death or Cessation of Existence; Continuation of Membership in a Remaining Partner.** Except as provided in Section 3.6, the death of an individual human Member shall automatically terminate his Membership. The cessation of the legal existence of any other type of Member shall automatically terminate the Membership but upon the withdrawal or addition of any individual partner or of a manager or Member of a LLC, such Membership shall continue to be held by such remaining partner or partners (including any additional partners added since the inception of the Membership) or by the LLC.

**Section 3.5. Effect of Termination.** Upon the termination in any manner of a person's Membership, the former Member, or his estate if applicable, shall be entitled to a refund of any service security

deposit he has paid the Cooperative, less any amounts due the Cooperative; but neither the former Member or the former Member's estate if applicable nor any former partner of a partnership member or his estate, or a former manager or member of a LLC or his estate shall be released from any debts or other obligations then remaining due the Cooperative. Should an action be commenced or an attorney employed to enforce payments of any amount owing on an account, the Member agrees, jointly and severally, to pay all costs of enforcement, including reasonable attorneys' fees and interest at the monthly periodic rate of 1.5% per month (18% per annum) until paid in full.

**Section 3.6. 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, however, that the estate of the deceased shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a joint Membership, such Membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such Membership, in the same manner and to the same effect as though such Membership had never been joint; provided, however, that the other spouse shall not be released from any debts or other obligations due the Cooperative.

**Section 3.7. Acceptance of Members Retroactively.** Upon discovery that the Cooperative has been furnishing electric service or any other good or service to any person other than a Member, it shall cease furnishing such good or service unless such person applies for, and receives, approval for membership retroactively to the date on which such person first began receiving such service, in which event, the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly.

#### ARTICLE IV MEETINGS OF MEMBERS

**Section 4.1. Annual Meeting.** For the purposes of electing Directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the Members shall be held on such date and beginning at such time as the Board from year to year shall provide. 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 constitute a forfeiture or dissolution of the Cooperative.

**Section 4.2. Special Member Meetings.** A special meeting of the Members may be called by resolution of the Board or upon written request of at least twenty per centum (20%) of the Members, signed and dated within sixty (60) days following the first signature, and it shall thereupon be the duty of the Cooperative to cause notice of such meeting to be given as provided in Section 4.3. Such a meeting shall be held in Carteret County, on such date, and beginning at such hour as shall have been designated by those calling the special meeting.

**Section 4.3. Notice of Member Meetings.** Written or printed notice of the place, date and hour of the meeting, and, in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting, shall be delivered to each Member not less than fourteen (14) nor more than forty-five (45) days before the date of the meeting. Such notice may be made personally; by United States Postal Service either with or without other documents, including insertion in the Cooperative's magazines or newsletter; or electronically at a verified Member e-mail address. No matter that requires the affirmative votes of a clear majority of the Cooperative's Members attending a Member meeting shall be acted upon 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 fourteen (14) days before the meeting date. If transmitted via e-mail, such notice shall be deemed delivered when transmitted to a previously verified e-mail address for Member. The inadvertent failure of any Member to receive such notice shall not invalidate any action which may be taken by the Members at any such meeting. In making time calculations required by this section, the day of the meeting shall not be counted.

#### **Section 4.4. Quorum for Member Meetings.**

Whenever ballots are cast by Members for the election of a director, attendance in person or by the submission of mailed ballots of at least one percent (1%) of the total Members of the Cooperative at any meeting of the Members shall constitute a quorum for the purpose of electing Directors and conducting other Cooperative business. Once a quorum is established for election of Directors, the results of the vote for Directors may be announced and certified despite the loss of a quorum. For Member meetings where the Secretary casts one ballot for the election of each director, attendance in person of at least one-half percent (1/2%) of the total Members of the Cooperative shall constitute a quorum for the purpose of conducting Cooperative business. Once a quorum is established for conducting Cooperative business, all business may be transacted despite the loss of a quorum. If a quorum is not established, the chair may recess the meeting to another time and date to any place within Carteret County. The Secretary of the Cooperative, or his designee, shall notify all Members of the time, place and date of the recessed meeting by delivering notice thereof as provided in Section 4.3 of these Bylaws. At all meetings of the Members, the Secretary shall annex to the meeting minutes or incorporate therein by reference, a list of those who were present in person, by mailed-in ballot and by proxy where allowed.

#### **Section 4.5. Credentials and Elections Committee.**

1. Formation. The Board shall, at least thirty-five (35) days before any meeting of the Members, appoint a Credentials and Elections Committee consisting of an uneven number of Members, not less than five (5) nor more than fifteen (15). Members of the Credentials and Elections Committee may not be close relatives or members of the same household of existing Directors or known candidates for Directors to be elected at such meeting and are not a member of the Nominating Committee. In appointing the Credentials and Elections Committee, the Board shall make a reasonable effort to provide equitable representation of the areas served by the Cooperative.
2. Authority; Voting; Substitutes. The Credentials and Elections Committee may meet, consider, or decide Member meeting issues, or otherwise act, only if a majority of the Credentials and Elections Committee members are present. A Credentials and Elections Committee decision or action requires a vote of at least a majority of the Credentials and Elections Committee members present. Except as otherwise provided in these Bylaws, Credentials and Elections Committee decisions or actions during, or within a reasonable time before or after, a Member meeting are final. In the event a member of the Credentials and Elections Committee resigns or becomes unable to participate due to illness or death, the Board may appoint, in its sole discretion and at such time the Board determines appropriate, an alternate member. The Committee shall elect its own chairperson and secretary prior to the Member meeting. In the exercise of its responsibility, the Credentials and Elections Committee shall have available to it the advice of counsel provided by the Cooperative.
3. Responsibilities. The Credentials and Elections Committee shall certify the results of all elections and other balloting. It shall be the responsibility of the Credentials and Elections Committee to establish or approve the manner of conducting Member registration at a Member meeting, to pass upon all questions that may arise with respect to the registration of Members in person and the authenticity and validity of mailed-in ballots and proxies, to oversee the counting of all ballots cast in any election, to rule upon all other questions that may arise relating to Member voting and the election of candidates for Director. In the event the Cooperative receives a written challenge or objection to any nominating petition, Director election, or Member meeting action, the Credentials and Elections Committee's responsibilities include, but are not limited to, reviewing the process for the nomination and election of Directors and ruling on the validity of petitions and qualifications of candidates and nominees.
4. Protests and Objections. In the event a protest or objection is filed concerning any Member registration, balloting, or any other matter related to an election or vote of the Members, such protest or objection must be filed with the Credentials and Elections Committee by delivery to the Cooperative's principal office within three (3) business days following the adjournment of the meeting in which the election is conducted.
5. Hearings. Within thirty (30) after such protest or objection is filed, the Credentials and Elections

Committee shall convene a hearing on the matter. After establishing a quorum, the Credentials and Elections Committee shall receive such oral or written evidence as is presented by the protester(s) or objector(s) who may be heard in person, by counsel, or both, and any similar types of evidence presented by the challenged Member or those opposed to the protest or objection.

6. Rulings. The Credentials and Elections Committee, by a vote of a majority of its quorum, shall, within a reasonable time but not later than thirty (30) days after such hearing unless for good cause an extended amount of time is required, render its decision, which may be to (1) affirm the election or action, (2) declare the election results invalid and certify that a different nominee or candidate was actually elected, or (3) set aside the election or action and call for a new election or vote on the matter. Upon written request by a Member received by the Cooperative within thirty days of a Credentials and Elections Committee decision or action, the Credentials and Elections Committee shall prepare a written report summarizing and explaining the Credentials and Elections Committee's decision or action.
7. Effect of a Protest or Objection. Even if a Member files a protest or objection challenging the election of a Director, the Credentials and Elections Committee may proceed and certify the results of an election while the protest or objection is pending. Once the election results are certified, the Directors so elected shall be seated and take office as members of the Board at the next regular or special meeting of the Board, but the Credentials and Elections Committee shall have exclusive jurisdiction over the disposition of the seated Director who was challenged prior to being certified, and it shall proceed with its investigation and hearing of that Director. In the event the Credentials and Elections Committee later sets aside the election of the challenged Director, the seat held by the challenged Director shall be either (1) declared vacant or (2) filled by the person newly-certified by the Credentials and Elections Committee to be elected. If the Director's seat is declared vacant, the incumbent Director who held the seat prior to election shall continue to hold office until a new election is conducted and the results certified by the Credentials and Elections Committee. Any action taken by the Board shall be deemed valid and not affected even if the Credentials and Elections Committee subsequently determines a voting and sitting Director's election was invalid.

**Section 4.6. Voting.** Each Member who is not in a status of suspension as provided for in Section 3.1 shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the Members. A Member that is an Entity may be present in person and vote at such meeting by and through a duly designated representative, qualified as such upon registering for the meeting. Voting by Members other than 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 to vote on behalf of the Entity. Such evidence shall not be required in any voting by mailed ballots for election of Directors. No one may vote on behalf of more than one Member which is not a natural person. At all meetings of the Members at which a quorum is present all questions shall be decided by a majority of the Members voting thereon, except as otherwise provided by law or by the Cooperative's Governing Documents. Members may not accumulate their votes.

Members shall vote for the election of Directors, and may vote for sale or lease-sale of the Cooperative assets in accordance with Article IX of these Bylaws, by ballots mailed in or delivered to the address indicated in the notice of meeting on or before the date and hour indicated in such notice. Members shall not be permitted to vote in person for the election of Directors, but may attend and register and participate in all other proceedings of the meeting of Members to the fullest extent, including eligibility for door prizes, and including the voting in person on all other questions that come before the meeting of Members. All elections of Directors shall be conducted so that the ballots will be return-mailed or delivered so as to assure that the way the vote is cast may not be determined and to assure that Members vote only once. The counting of mail ballots shall be conducted by or under the direction of the Credentials and Elections Committee prior to the meeting of the Members. The results will not be made official until certified by the Credentials and Elections Committee and announced by the chair of the Committee during the meeting. The provisions of the Section shall not apply to the election of a Director to fill a vacancy caused by the removal of a Director by the Members, in which case the provisions of Section 5.12 (Removal of Directors by Members) shall be followed.

The Board may authorize balloting by electronic means as an alternative to mail ballots or as replacement to mail ballots. Such authorization shall be in the form of a Board resolution that sets forth the process and security safeguards for the collection of electronic ballots. In the event the Board adopts electronic ballots, then these Bylaws shall be read to replace or add, as the case may be, "mail" ballots with "electronic" ballots as set forth in the Board resolution. The electronic ballots must meet at least the standards for mail ballots set forth in this Section.

**Section 4.7. Order of Business.** The Board shall determine the agenda and order of business for the Member meetings. The order of business at the annual meeting of the Members and, insofar as possible, at all other meetings of the Members shall be substantially as follows:

1. Report on the number of Members entitled to vote present and by mailed-in ballot, or by proxy where allowed by these Bylaws, in order to determine the existence of a quorum;
2. Reading of the notice of the meeting and proof of the due mailing thereof, or of the waiver or waivers of notice of the meeting, as the case may be;
3. Reading of unapproved minutes of previous meetings of the Members and the taking of necessary action thereon;
4. Presentation and consideration of reports of officers, Directors and committees;
5. Conduct voting by those present in person or by proxy where provided by these Bylaws;
6. Unfinished business;
7. New business;
8. Announcement of the results of the mailed-in balloting or other voting;
9. Adjournment.

Notwithstanding the foregoing, the Board may from time to time establish a different order of business. Except as otherwise provided by the Board before or at a Member meeting, the President or an individual designated by the President: (1) shall preside at the Member meeting; (2) may order the removal of a Person from the Member meeting for unruly, disruptive, or similar behavior; and (3) may exercise power reasonably necessary for efficiently and effectively conducting the Member meeting.

**Section 4.8. Member Suggested Resolutions and New Business.** Any Member or Members wishing to have a resolution or an item of business placed on the agenda of any meeting of Members to be discussed or acted upon at the meeting shall submit the resolution or other items in writing to the Secretary not less than sixty (60) days before the scheduled meeting date. Notice of such resolution or other item of business so presented shall be given to the Membership with the notice of meeting.

**Section 4.9. Delayed or Cancelled Annual Meeting of Members.** In the event the Board determines that an annual meeting of the Members must be delayed or cancelled due to circumstances beyond the Board's control, the following process shall apply.

1. The CEO and General Manager shall inform the members of the Credentials and Elections Committee (C&E Committee) of the delay or cancellation as soon as practicable. With the assistance of the CEO and General Manager, the C&E Committee shall convene a meeting, which may be held remotely. The C&E Committee shall review and approve the Board's plans for administering the election of directors and finalizing the election pursuant to this Section 4.9. The failure or inability of the C&E Committee to meet shall not limit the Board's ability to proceed. The C&E Committee shall retain full authority to adjudicate any valid protest filed pursuant to Section 4.5. Any deadlines set forth in Section 4.5 may be extended or adjusted by the Board due to circumstances beyond the control of the Board and the C&E Committee.
2. Any action of the Board taken under this subsection 4.9 shall not require or trigger a new election or nominating process for the election of Directors.
3. When there are no contested elections, the Secretary shall cast a ballot for the candidates at the earliest practicable Board meeting held after the original date of the cancelled or delayed annual meeting. At such time, the candidates shall be duly elected to their offices. Their terms shall commence on the date of said Board meeting.
4. When there are contested elections, and the mailed ballots have been duly cast and counted, then the Secretary shall announce the results of the election at the earliest practicable Board meeting held after the original date of the cancelled or delayed annual meeting. At such time,

the winning candidates shall be duly elected to their offices. Their terms shall commence on the date of said Board meeting.

5. The Board shall use its best efforts to hold an annual meeting at another time. When an annual meeting is postponed and later held, then the formality of an election result announcement shall not be required if the Secretary previously has announced the election results, but the Members may approve minutes and consider any other action validly coming before the Members. If another time is not practicable, the Board may in its sole discretion cancel the annual meeting for that year.
6. Either the Chair of the C&E Committee or the Secretary shall certify any actions taken pursuant to this Section 4.9 upon authorization by the Board.
7. Any action of the Board taken under this subsection shall be reported to the Members via the Corporation's website and any other method of publication the Board deems appropriate. In addition, such action must be reported at the annual meeting of the Members actually held after the action has been taken by the Board.

## ARTICLE V DIRECTORS

**Section 5.1. General Powers and Responsibilities.** The business and affairs of the Cooperative shall be managed by a board of nine (9) Directors, which shall exercise all of the powers of the Cooperative except such powers that are, by Law or the Cooperative's Governing Documents, conferred upon or reserved to the Members. Specifically, (1) Cooperative powers must be exercised by the Board, or under the Board's authority; (2) Cooperative activities and affairs must be managed under the Board's direction and subject to the Board's oversight; and (3) the Board shall reasonably administer and enforce these Bylaws, or shall ensure that these Bylaws are reasonably administered and enforced.

**Section 5.2. Director Conduct. In general:**

1. Director Standard of Conduct. A Director is not deemed a trustee regarding the Cooperative, Capital Credits, or property held or administered by the Cooperative, including property potentially subject to restrictions imposed by the property's donor or transferor. A Director shall discharge the Director's duties, including duties as a Board Committee member:
  - a. in good faith;
  - b. in a manner the Director reasonably believes to be in the Cooperative's best interests;
  - c. when becoming informed in connection with the Director's decision-making function or devoting attention to the Director's oversight function, with the care that an individual in a like position would reasonably believe appropriate under similar circumstances; and
  - d. in a manner in which the Director discloses or causes to be disclosed to other Directors or Board Committee members information not known by them, but known by the Director to be material to discharging their decision-making or oversight functions, except that disclosure is not required to the extent that the Director reasonably believes that disclosure would violate a duty imposed under law, a legally enforceable obligation of confidentiality, or a professional ethics rule.
2. Director Reliance on Others. Unless a Director has knowledge making reliance unwarranted, then in discharging the Director's duties, including duties as a Board Committee member, the Director may rely: (1) on the performance by any of the following individuals listed in (a) or (c) to whom the Board has formally or informally delegated the authority or duty to perform one or more of the Board's delegable functions; and (2) upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by any of the following individuals:
  - a. one or more Cooperative Officers or employees whom the Director reasonably believes to be reliable and competent in the functions performed or the information, opinions, reports, or statements provided;
  - b. legal counsel, public accountants, or other individuals retained by the Cooperative regarding matters involving skills or expertise the Director reasonably believes are

matters within the individual's professional or expert competence and as to which the individual merits confidence; and

- c. a Board Committee of which the Director is not a member if the Director reasonably believes the Board Committee merits confidence.

**Section 5.3. Qualifications.** To become and remain a Director of the Cooperative, a Person must meet and maintain continuously each of the following qualification requirements (collectively, the "Director Qualifications"):

1. Have been a Member of the Cooperative continuously for not less than two years prior to the date of the meeting of Members at which such person may be elected.
2. For one-hundred eighty days prior to the time when a person is nominated or files a valid petition, and continuously while a Director, a Member must permanently reside and use electric energy provided by the Cooperative at the Member's primary residence. The primary residence must be located within the Director District for which the Director is nominated.

For the purposes of this subsection, "permanently reside" shall mean to maintain a residence that meets and continues to meet during the Director's term each and every one of the following standards:

- a. The Member certifies annually and, if requested pursuant to an investigation or hearing, testifies under oath and in writing that the residence is his primary residence and home to which, whenever he is absent, he has the intention of returning more often than any other location.
  - b. The residence is a permanent dwelling structure of the type customarily used for habitation in the area and the construction of which is, or could be, in compliance with minimum housing standards and building codes of the county or municipality in which the structure is located.
  - c. Excluding consideration of Post Office box addresses, the residence is located at the address used for the person's driver's license, voter registration, taxes (including, without limitation property and personal taxes), and is considered his or her domicile for legal purposes.
3. Not be a close relative of an incumbent Director or an employee of the Cooperative.
  4. Not be in any way employed by or financially interested in a competing enterprise or a business selling electric energy, service, or supplies to the Cooperative.
  5. Not have been convicted of a felony or any misdemeanor involving moral turpitude.
  6. Be a citizen of the United States of America.
  7. Be legally competent and physically able to enter contracts and exercise a Director's legal duties at the time of election and continuously during the Director's term of office.
  8. Not be a close relative of a former Member of the Board who may have died or resigned from the Board within the two years preceding the date the Member is to take office as a Director.
  9. A Person shall not be or have been previously employed by the Cooperative, and shall not be or have been previously an officer or Director of, or employed in any policy-making position by, any electric membership cooperative or investor-owned electric utility company. Former members of the Board of Directors of Harkers Island Electric Membership Corporation shall not be disqualified by this Section 5.3 because of such affiliation. Former Directors of the Cooperative who would qualify for office but for their prior service as Director may serve later as an elected or appointed Director. Any former Director who was previously removed for cause by the Members or the Cooperative Board of Directors is ineligible to serve as a Director.
  10. In addition to all of the other requirements imposed on Directors, the Director at large representing District Number 9 shall be a self-identified member of a non-Caucasian racial minority group, including, but not limited to African Americans, Native Americans, Asians, and Hispanics. In the event of a dispute over whether a person qualifies as a member of a racial minority group under this subsection, the Credentials and Elections Committee shall apply, with the assistance of legal counsel, the criteria for judging racial minorities set forth in Title 13

of the United States Code of Federal Regulations (see in particular 13 C.F.R. 124) and such other guidance as may be provided by the Office of Civil Rights of the United States Department of Agriculture.

**Section 5.4. Disqualification of Nominees, Candidates and Directors.**

1. The Credentials and Elections Committee shall determine whether nominees and candidates for Director meet the Director Qualifications set forth in this Article. The Board shall determine for all duly elected and sitting Directors whether a Director continues to meet the Director Qualifications set forth in this Article.
2. If any Member alleges in a written statement signed by the Member and containing specific facts that a nominee or candidate for Director does not meet any one or more of the Director Qualifications, it shall be the duty of the Credentials and Elections Committee to determine the validity of the such allegations according to the following procedures:
  - a. Upon a majority vote of the Credentials and Elections Committee that a nominee or candidate is likely to have become disqualified, the Chairperson of the Credentials and Elections Committee shall notify the nominee or candidate in writing of the basis for disqualification and provide the person an opportunity for a hearing before the Credentials and Elections Committee. The nominee or candidate must demand a hearing no later than the close of business on the tenth (10th) business day after the nominee or candidate receives the notice or the notice is confirmed delivered to the nominee or candidate's e-mail or physical address on file with the Cooperative, whichever is sooner. Failure to demand a hearing pursuant to this section shall mean that the nominee or candidate has waived his right to a hearing.
  - b. If a hearing is demanded, then the hearing shall be scheduled as soon as practicable at a regular or special meeting of the Credentials and Elections Committee. If a hearing is not demanded, then the Credentials and Elections Committee may conduct its own independent investigation if it determines such useful and necessary.
  - c. All disqualification hearings procedures shall adhere to Chapter XX, Disciplinary Proceedings, as set forth in Roberts Rules of Order, Newly Revised, except as otherwise stated herein.
  - d. After the hearing, if held or at the next regular or special meeting if a hearing is not demanded, the members of the Credentials and Elections Committee shall vote on whether the subject nominee or candidate is disqualified. A two-thirds majority favoring disqualification shall affect the immediate removal of the person as nominee or candidate.
  - e. The decision of the Credentials and Elections Committee is final and may not be appealed to the Board.
3. If any Member alleges in a written statement signed by the Member and containing specific facts that a sitting Director does not meet any one or more of the Director Qualifications at a time after the Director's election, it shall be the duty of the Board to determine the validity of the such allegations according to the following procedures:
  - a. Upon a majority vote of the Board that a Director is likely to have become disqualified, the President shall notify the Director in writing of the basis for disqualification and provide the person an opportunity for a hearing before the Board. The Director must demand a hearing no later than the close of business on the tenth (10th) business day after the Director receives the notice or the notice is confirmed delivered to the Director's e-mail or physical address on file with the Cooperative, whichever is sooner. Failure to demand a hearing pursuant to this section shall mean that the Director has waived his right to a hearing.
  - b. If a hearing is demanded, then the hearing shall be scheduled as soon as practicable at a regular or special meeting of the Board. If a hearing is not demanded, then the Board or a Board Committee may conduct its own independent investigation if it determines such useful and necessary.
  - c. All disqualification hearings procedures shall adhere to Chapter XX, Disciplinary Proceedings, as set forth in Roberts Rules of Order, Newly Revised, except as otherwise

stated herein.

- d. After the hearing, if held, or at a regular or special meeting if a hearing is not demanded, the members of the Board shall vote on whether the subject Director is disqualified. A two-thirds majority favoring disqualification shall affect the immediate removal of the person as Director. After removal, the Director's seat shall be treated as if it were vacant. If the Director is not removed, his Director Qualifications can be challenged again only through a new allegation of facts substantially different from the facts contained in the prior allegation.
  - e. The decision of the Board is final.
4. If a majority of Directors authorized by these Bylaws complies with the Director Qualifications and approves a Board action, then the failure of a Director to comply with the Director Qualifications does not affect the Board action.

#### **Section 5.5. Elections.**

- a. At each annual meeting of the Members, Directors shall be elected by secret mailed-in ballot by the Members; provided, however, that when the number of nominees does not exceed the number of Directors to be elected from a particular Directorate district, balloting may be dispensed with in respect to that district and at the meeting, the Secretary shall cast one ballot for the nominee from that district who shall then be declared duly elected. Directors shall be elected by a plurality vote of the Members.
- b. Cumulative or proxy voting shall not be allowed.
- c. Drawing by lot shall resolve, where necessary, any tie votes.
- d. If there are two or more close relatives running for election to the Board when neither is an incumbent or where one is an incumbent seeking re-election, the one who is elected with the highest number of votes shall be entitled to take office.

**Section 5.6. Tenure.** Directors shall be elected for terms of three (3) years or until their successors are elected and take office. The Board shall ensure staggered Director terms by dividing the total number of authorized Directors into groups of approximately equal number. Members must annually elect an approximately equal number of Directors. Directors shall take office at the first regular meeting of the Board following the annual meeting of the membership.

**Section 5.7. Directorate Districts.** Directors shall be so nominated and elected, that the Board shall represent nine (9) districts ("Directorate Districts"). Directorate Districts one (1) through seven (7) shall be established according to geographical region, one Director per district. Each Director representing Directorate Districts one (1) through seven (7) shall permanently reside in the Directorate Districts they represent. These seven (7) Directorate Districts shall be marked clearly on a map that is accessible to Members and maintained as part of the permanent records of the Cooperative. Directorate Districts numbered eight (8) and nine (9) shall cover the entire Cooperative service area as at-large districts. Directors for these two at-large Directorate Districts shall not be elected at the same Member meeting.

**Section 5.8. Nominations.** It shall be the duty of the Board to appoint, not less than one hundred twenty (120) days or more than one hundred eighty (180) days before the date of a meeting of the Members at which Directors are to be elected, a Nominating Committee. The Board shall appoint two (2) Members from each directorate district from which a nominee is to be selected for nomination. In the event a member of the Nominating Committee resigns or becomes unable to participate due to illness or death, the Board may appoint, in its sole discretion and at such time the Board determines appropriate, an alternate member. Nominating Committee Members must have their primary residential abode in the directorate district they represent. Nominating Committee members may not be an existing, or a Close Relative of an existing, Cooperative Official or known Director candidate. For purposes of selecting members of the Nominating Committee, "primary residential abode" means the geographic location at which a Member receives Cooperative Services and is registered to vote in federal and state elections. The Committee shall prepare and post at the principal office of the Cooperative at least sixty

- a. (60) days before the meeting a list of nominations for Directors to be elected, listing separately one (1) or more nominees with respect to each directorate district from which a Director is

elected at the Member meeting.

- b. Such nominees may, but need not, include nominees by petition. Not less than sixty (60) days before the meeting, any fifty (50) or more Members in one directorate district acting together may make other nominations for a Director for that district by petition filed at the Cooperative's primary business office. The Chairperson of the Nominating Committee or the Chairperson's designee shall post such nominations received at least sixty (60) days before the meeting at the same time and place where the list of nominations made by the Committee is posted.
- c. The Secretary shall notify the Members of the names of the Members nominated by the Nominating Committee and those Members who successfully petitioned to be candidates. The notice must be delivered at least sixty (60) days before the Annual Member Meeting and contain the addresses and directorate districts of the nominees and candidates.
- d. Upon request by the nominee or candidate, the Secretary shall include with the notice a brief biography or statement provided by the nominee or candidate in a form approved by the Board. The biography or statement may not be more than 250 words in length, shall be authorized by the nominee or candidate, and verified in writing signed by the nominee or candidate that the biography or statement is believed to be true and accurate.
- e. If any nominee or candidate withdraws his name from nomination or dies between the time he is nominated as provided herein and sixty (60) days before the deadline for returning ballots to the Cooperative, and if as a result of such withdrawal or death there is less than one (1) candidate for election in any Directorate District, the Nominating Committee shall meet not more than seventy-two (72) hours after the withdrawal or death to nominate someone else to take the place of such withdrawn or deceased nominee. Immediately following adjournment of the meeting of the Nominating Committee, the chairperson shall notify the Secretary of the Cooperative as to the name and address of the new nominee and shall include such biographical information and statement as the nominee shall furnish at least fifty-eight (58) days prior to the meeting in a form approved by the Board which shall be not more than 250 words in length and which shall be authorized by the signature of the nominee.
- f. If a nominee or candidate withdraws or dies within sixty (60) days of the deadline for returning ballots to the Cooperative, the election shall proceed without selection of a nominee to replace the withdrawn or deceased nominee. If the withdrawn or deceased nominee or candidate was the only nominee or candidate for election from a Directorate District, the remaining Directors of the Board, as constituted following certification of the election by the Credentials and Elections Committee, shall fill the vacancy so created on the Board, and the person so selected shall serve the same term as would have the withdrawn or deceased nominee.

**Section 5.9. Voting for Directors; Validity of Board Action.** For purposes of electing Directors, each Member who is a Member of the Cooperative on the day thirty (30) days before the annual Membership meeting or any special meeting of the Members called for the purpose of electing Directors shall be entitled to cast one vote for one nominee in each Directorate District open for election. Ballots marked in violation of this restriction with respect to any Directorate District shall be invalid and shall not be counted with respect to that district. An invalid ballot shall not affect in any manner whatsoever the validity of any action taken by the Board after the election of Directors.

**Section 5.10. Attendance at Board Meetings.** By operation of these Bylaws and without any need for action by the Board, any Director who misses more than three (3) regular meetings in any twelve-month period shall automatically be removed from office and his seat on the Board shall be declared vacant.

**Section 5.11. Director Resignation.** A Director may resign at any time by delivering written notice of resignation to the President or Secretary. A Director's resignation is effective upon the President or Secretary receiving the written notice of resignation. A resigning Director may request that the resignation be effective at a future date, which the Board may grant or deny in its sole discretion.

**Section 5.12. Removal of Directors by Members.** Any Member may bring one or more charge(s) for grossly negligent, fraudulent or criminal act, or omission significantly and adversely affecting the Cooperative against any one or more Director(s) and may request the removal of such Director(s) by reason thereof by filing with the Secretary such charge(s) in writing, together with a petition signed by not less than ten per centum (10%) of the then-total Members of the Cooperative which petition shall

call for a special meeting, the stated purpose of which shall be to hear and act upon such charge(s) and, if one or more Directors are recalled, to elect their successor(s), and which specifies the place, time and date thereof not sooner than forty (40) days nor more than eighty (80) days after filing of such petition, or which requests that the matter be acted upon at the subsequent annual Member meeting if such meeting will be held no sooner than forty (40) days nor more than eighty (80) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(es) of the Member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the Director(s) against whom such charge(s) is (are) being made. The petition shall be signed by each Member in the same name as he is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s), verbatim, of the Director(s) against whom the charge(s) have been made and of the Member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the Members not less than fourteen (14) days prior to the Member meeting at which the matter will be acted upon; provided, that the notice shall set forth (in alphabetical order) only twenty (20) of the names of the Members filing one or more charges if twenty (20) or more Members file the same charge(s) against the same Director(s). Such Director(s) shall be informed in writing of the charges after they have been validly filed and at least twenty (20) days prior to the meeting of the Members at which the charges are to be considered, and shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel, or any combination of such, and to present evidence in respect of the charge(s); and the Member(s) bringing the charges shall have the same opportunity, but must be heard first. The question of the removal of such Director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by vote of the Members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor; provided, that the question of the removal of a Director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents or otherwise. Any Director elected by the Members as a replacement for a removed Director shall meet all eligibility requirements for being a Director and shall be from the same Directorate District or at-large Directorate District as was the Director whose office he succeeds and shall serve the unexpired portion of the removed Director's term. No Director may be removed for lawfully opposing or resisting any transfer of Cooperative assets, or any Cooperative dissolution.

**Section 5.13. Vacancies.** Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of a Director by the Members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Directors. A Director thus elected shall fill the unexpired term of the Director whose office was originally vacated. The residency of the person elected to fill a vacancy shall be consistent with the provisions of Section 5.3 and the appointed Director shall meet the Director Qualifications.

**Section 5.14. Compensation; Expenses.** A Director is not an employee of the Cooperative. However, as determined or approved by the Board, the Cooperative may reimburse, compensate, pay a salary to, and provide various benefits to Directors for their service and for attending a: (1) Board meeting; (2) function, meeting, or event involving or relating to the Cooperative; or (3) function, meeting, or event involving, relating to, or reasonably enhancing the Director's ability to serve in, the role of Director. The Board must determine or approve the manner, method, and amount of any Director reimbursement, compensation, salary, or benefits.

**Section 5.15. Rules, Regulations, Rate Schedules and Contracts.** The Board shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate schedules and contracts, not inconsistent with Law or the Cooperative's Articles or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

**Section 5.16. Accounting System and Report.** The Board shall cause to be established a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting operations during and financial condition as of the end of such year. An accurate summary of such audit reports shall be submitted to the Members at the ensuing annual meeting of the Members.

**Section 5.17. “Close Relative” Defined.** As used in these Bylaws, “close relative” means a person who is related to the principal person, by consanguinity or affinity, to the third degree or less. That is, a person who is a spouse, child, grandchild, great-grandchild, parent, grandparent, great-grandparent, brother, sister, aunt, uncle, nephew or niece, by blood, by adoption, or in law, of the principal, including half and step is a close relative.

**Section 5.18. Director Emeritus.** Any Director who shall have served a minimum of fifteen (15) consecutive years or who has served twenty-five (25) years, who no longer serves on the Board due to health, age, relocation of residence, failure to be reelected, etc., and who has not been removed from the Board pursuant to Section 5.12 shall be eligible to become a Director Emeritus of the Board upon selection by a vote of the majority of the then-members of the Board. Such Director Emeritus may attend any meeting for which the Board requests his presence and may provide advice and counsel upon request. For each meeting that a Director Emeritus attends at the request of the Board, he shall receive the same per diem and expenses as paid to regular Members of the Board. A Director Emeritus does not have voting rights, does not count toward a quorum at Board or Board Committee meetings, does not count toward the minimum or maximum number of Directors on the Board, and does not have any authority to act for the Cooperative as a Director. The Director Emeritus is discharged from all Director fiduciary duties and is not subject to the Director Qualifications. The Director Emeritus may serve until resignation, death, or removal by the Board.

**Section 5.19. Directors May Not Be Employees, Etc.** Except for their roles as Director or Director Emeritus, no Director nor any former Director may become an employee or staff member of the Cooperative or receive compensation or payments from the Cooperative in any capacity, including consultant, agent, broker, or other business relationship. Every person taking office as a Director shall by that act agree to be bound by the restrictions of this Section. No former Director may contract with the Cooperative to sell or purchase services, goods, or other property, either directly or indirectly, for a period of two years from the date when he was last a Director. The Cooperative shall not do business with any former Director during the proscribed two-year period nor with any firm, partnership (general or limited), corporation or association wherein any such Director or former Director is an officer, director, employee, consultant, shareholder, advisor, partner (general or limited), associate, or otherwise affiliated, unless the Board deems it necessary for good cause to do business with a former Director during such two-year period.

## ARTICLE VI

### MEETINGS OF DIRECTORS AND BOARD COMMITTEES

**Section 6.1. Regular Board Meetings.** The Board shall regularly meet in a county served by the Cooperative at the date, time, and location determined by the Board (“Regular Board Meeting”) through a resolution. Once the resolution establishing the Regular Board Meeting schedule is adopted, the Board may hold Regular Board Meetings without further notice. For good cause, the President may change the date, time, or location of a Regular Board Meeting. The Cooperative shall provide all Directors notice of a President’s change in a Regular Board Meeting date, time, or location at least five days before the changed Regular Board Meeting.

**Section 6.2. Special Board Meetings.** The Board, the President, or at least three Directors may call a special meeting of the Board (“Special Board Meeting”) by instructing the Cooperative to provide each Director at least five days prior written or Electronic notice indicating the date, time, location, and purpose of the Special Board Meeting. Special Board Meetings may also be held via telephone conference call with the consent of all of the Directors.

**Section 6.3. Waiver of Board Meeting Notice.** At any time before, during, or after a Board Meeting or Special Board Meeting, a Director may waive notice of such meeting by delivering to the Cooperative a written or Electronic waiver of notice signed by the Director and later filed with the Board Meeting minutes or the Cooperative’s records. In addition, a Director’s attendance at, or participation in, a Board Meeting waives notice of the Board Meeting and any matter considered at the Board Meeting, unless the Director:

1. at the beginning of the Board Meeting objects to holding or transacting business at the Board Meeting or lack of, or defective, notice of the Board Meeting or Special Board Meeting; and

2. does not vote for, or assent to, an objected matter.

**Section 6.4. Quorum.** The presence 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 in office shall be required for any action to be taken. A Director who by Law or by 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 in office. A Director may not vote by proxy. An agreement signed by Directors providing the manner in which a Director must vote is not valid and is unenforceable. If less than a quorum is present at a meeting, a majority of the Directors present may recess the meeting until a later date, but shall cause any absent Directors to be duly notified of the time and place of such recessed meeting.

**Section 6.5. Procedures for Board Meetings.** Except as otherwise provided in these Bylaws, a Regular Board Meeting or Special Board Meeting (collectively, a "Board Meeting") may implement those meeting procedures the Board or Board Committee deem most appropriate. In addition: A Board Meeting or a Board Committee meeting may be conducted with physically absent Directors participating, and deemed present in person, through any means of communication by which all Directors participating in the Board Meeting may simultaneously hear each other during the Board Meeting.

Without a Board Meeting, the Board may take an action required or permitted to be taken at a Board Meeting by "Director Written Consent" if the action is: (1) taken by all Directors; and (2) evidenced by one or more written consents ("Director Written Consent") (A) describing the action taken; (B) signed by each Director; (C) delivered to the Cooperative; and (D) included with the Cooperative's Board Meeting minutes. Except as a different effective date is provided in the Director Written Consent, 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. Prior to his assent to a Director Written Consent, a Director may object for any reason and thereby refuse to allow the Director Written Consent to become effective.

If a Director Quorum is present at a Board Meeting, then:

1. in descending priority, the following Officers may preside at the Board Meeting: President, Vice-President, Secretary, and Treasurer; and
2. if no Officer is present or desires to preside at a Board Meeting, then the Directors attending the Board Meeting must elect a Director to preside over the Board Meeting.

The Board may promulgate or approve rules, policies, and procedures regarding:

1. The conduct of Board Meetings.
2. The attendance at, participation in, or presentation during Board Meetings by persons other than Directors;
3. The right to access, inspect, or copy any minutes, record, or other document relating to any Board Meeting by persons other than Directors; or
4. the conduct of Board Meetings.

**Section 6.6. Special Procedure for Consideration of Offers to Purchase.** Before the Board may act on any resolution to favorably consider an offer to purchase some or all of the assets or business of the Cooperative, written notice to each Director of the date, time, place and purpose of the meeting at which such proposal is to be considered shall be mailed by registered or certified mail, return receipt requested, not less than thirty (30) days prior thereto by the Secretary, or upon default in his duty for thirty (30) days, by any other officer of the Corporation. Such mailing shall be postage prepaid to the address of the Director as it appears on the Cooperative's records. The attendance of a Director at any meeting of the Board shall constitute a waiver of notice at such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business on the grounds that the meeting shall not have been lawfully called or convened. The notice of the meeting shall be accompanied by a complete disclosure of all of the terms and conditions of the offer and all other relevant information.

**Section 6.7. Committees.** The Board may create a committee of the Board ("Board Committee") and appoint Directors to serve on the Board Committee. A Board Committee must consist of two or more Directors and serves at the Board's discretion. The Board may create a committee of the Members

("Member Committee") and appoint Members, including Directors, to serve on the Member Committee. The Board may appoint one or more Directors or Members, respectively, as alternate members of any Board or Member Committee to replace any absent or disqualified Committee member during the Committee member's absence or disqualification.

1. Creation and Appointment of Committees. Except for the Board Executive Committee and Finance Committee as set forth below, at least a majority of Directors currently in office must approve the: (1) creation of a Board Committee or Member Committee; (2) appointment of Directors to a Board Committee; and (3) appointment of Members to a Member Committee.
2. Conduct of Committee Meetings. To the same extent as the Board and Directors, the Bylaws addressing Regular Board Meetings, Special Board Meetings, Conduct of Board Meetings, Waiver of Board Meeting Notice, Director 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.
3. Committee Authority. A Member Committee may act as specified by the Board, but may not exercise Board authority. Except as otherwise provided in 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: (1) retire and pay Capital Credits; (2) approve the Cooperative's dissolution or merger, or the sale, pledge, or Transfer of all, or substantially all, Cooperative Assets; (3) elect, appoint, disqualify, or remove a Director, or fill a Board or Board Committee vacancy; or (4) adopt, amend, or repeal Bylaws.

**Section 6.8. Board Executive Committee.** The Board shall have an executive committee, which shall consist of at least three Directors that have been appointed by the President ("Board Executive Committee"). In addition, the President shall serve as an ex officio voting member of the Board Executive Committee. The Board Executive Committee's chairperson shall be appointed by the President. The Board Executive Committee: (1) is a Board Committee; (2) may exercise any Board authority that is expressly granted by resolution of the Board; and (3) in the event such authority is granted, at the next Board Meeting following an exercise of Board authority, must report to the Board regarding the Board Executive Committee's exercise of Board authority.

**Section 6.9. Board Finance Committee.** The Board shall have a finance committee that is directly responsible for overseeing the work of any registered public accounting firm employed by the Cooperative, including resolving disagreements between management and the auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or related work, and each registered public accounting firm must report directly to the finance committee ("Board Finance Committee"). The President shall appoint the members of the Board Finance Committee. The Committee may elect its own chairperson. Each member of the Board Finance Committee: (1) must be a Director; and (2) other than in the capacity as a Member, Director, or member of a Board Committee, must not accept any consulting, advisory, or other compensatory fee from the Cooperative. Whenever possible, the Board Finance Committee should have at least one member who is familiar with and understands financial statements and audits.

The Board Finance Committee shall establish procedures for: (1) the receipt, retention, and treatment of complaints received by the Cooperative regarding accounting, internal accounting controls, or auditing matters; and (2) the confidential, anonymous submission by employees of the Cooperative of concerns regarding questionable accounting or auditing matters. The Board Finance Committee may engage independent counsel and other advisers, as it determines necessary to carry out its duties. The Cooperative shall provide for appropriate funding, as recommended by the Board Finance Committee in its capacity as a committee of the Board, for compensating: (1) the registered public accounting firm employed by the Cooperative for the purpose of rendering or issuing an audit report; and (2) any advisers employed for the benefit of the Board Finance Committee. The Board Finance Committee is a Board Committee.

## ARTICLE VII OFFICERS

**Section 7.1 Officer Standard of Conduct.** An Officer shall discharge the Officer's duties: (1) in good faith; (2) with the care an ordinarily prudent person in a like position would exercise under similar

circumstances; and (3) in a manner the Officer reasonably believes to be in the Cooperative's best interests.

An Officer shall: (1) inform the Board, or the superior Officer or Board Committee to whom or which the Officer reports, of information regarding the Cooperative's affairs known to the Officer, within the scope of the Officer's duties and functions, and known to the Officer to be material to the superior Officer or Board; and (2) inform the Board, the superior Officer to whom the Officer reports, or another appropriate person within Cooperative of any actual or probable material violation of Law involving the Cooperative, or material breach of duty to the Cooperative by a Cooperative Officer, employee, or agent, that the Officer believes has occurred or is likely to occur.

**Section 7.2. Required Officers; Other Officers; Election; Terms.** The Cooperative must have at least the following officers: President, Vice-President, Secretary, and Treasurer ("Required Officers"). The Board may create other Board or executive officers that it deems appropriate. Such officers may be either Directors or employees ("Other Officers"). The Board shall elect Required Officers: (1) at the first Regular Board Meeting following each annual Member meeting, or as soon after each annual Member meeting as reasonably possible and convenient and (2) by affirmative vote of a majority of Directors in office. The Board may create or appoint Other Officers at any time.

A Required Officer must be a Director. One Director may simultaneously be Secretary and Treasurer. Except as otherwise provided by Law, a Director holding both such offices may not execute, acknowledge, or verify a document in more than one capacity. Subject to the officer's continuing status as a Director, a Required Officer holds office until the Required Officer's successor is elected. The Board shall fill a vacant Required Officer's position for the unexpired portion of the Required Officer's term. Except for those duties and responsibilities that cannot be delegated to non-Directors as required by these Bylaws or Law, the Board may authorize a Required Officer to delegate duties and responsibilities to a non-Director Cooperative executive employee.

**Section 7.3. 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 7.4. Vacancies.** A vacancy in any office elected by the Board may be filled by the Board for the unexpired portion of the term.

**Section 7.5. President.** The President:

1. Shall be the principal executive officer of the Board and shall preside at all meetings of the Members and of the Board, unless otherwise determined by the Board or as otherwise provided by these Bylaws;
2. 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
3. In general, shall perform all duties incidental to the office of President and such other duties as may be prescribed by the Board from time to time.

**Section 7.6. 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 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 7.7. Secretary.** Except as otherwise provided by the Board or these Bylaws, the Secretary:

1. shall be responsible for preparing, or supervising the preparation of, minutes of Board and Member meetings;
2. shall be responsible for maintaining and authenticating the Cooperative's records;
3. may affix the Cooperative's seal to a document authorized or approved by the Board or Members; and
4. shall perform all other duties, shall have all other responsibilities, and may exercise all other authority prescribed by the Board.

**Section 7.8. Treasurer.** Except as otherwise provided by the Board or these Bylaws, the Treasurer

shall perform all duties, shall have all responsibility, and may exercise all authority that may be prescribed by the Board.

**Section 7.9. Delegation of Secretary's and Treasurer's Responsibilities.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in this Article, the Board by resolution may, except as otherwise limited by Law or these Bylaws, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of such officers, such duties to one or more Cooperative employees.

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. Chief Executive Officer and General Manager.** The Board may appoint a Chief Executive Officer and General Manager who may be, but who shall not be required to be, a Member of the Cooperative. The Chief Executive Officer and General Manager 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. The Chief Executive Officer and General Manager shall serve at the pleasure of the Board.

**Section 7.11. Bonds of Officers.** The Board may require the Treasurer or any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The Board may authorize the Cooperative to purchase such bonds.

**Section 7.12. 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 5.14 (Compensation) of these Bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed or set according to a plan approved by the Board.

**Section 7.13. Reports.** The officers of the Cooperative shall annually submit to the Members reports covering the business of the Cooperative for the previous fiscal year and showing the financial condition of the Cooperative at the close of such fiscal year.

**Section 7.14. Indemnification.** The Cooperative shall indemnify present and former Directors, officers, including the Chief Executive Officer and General Manager, agents and employees against liability to the extent that their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and, if actionable at all, were based upon good faith business judgments in the belief the acts or omissions were in the best interests of the Cooperative or were not against the best interest of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

## ARTICLE VIII

### CONTRACTS, CHECKS AND DEPOSITS

**Section 8.1. Contracts.** Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

**Section 8.2. Checks, Drafts, etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer, officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

**Section 8.3. Deposits.** All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank, banks, or other financial institutions as the Board may select. The Board may delegate to an officer of the Cooperative the authority to effectuate such deposits and to manage Cooperative funds and deposits in the best interest of the Cooperative, such delegation being consistent with the Board's fiduciary duties and standard of conduct set forth in Section 5.2 if the Board receives periodic updates and explanations about the deposits from the Chief Executive Officer and General Manager or delegated officer.

ARTICLE IX  
NON-PROFIT OPERATION

**Section 9.1. 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. The term “patron” or “Patron” means, during a fiscal year: (1) a Member; and (2) any other Person using a Cooperative Service to whom the Cooperative is obligated to allocate Capital Credits, which obligation existed before the Cooperative received payment for the Cooperative Service. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

**Section 9.2. 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. The Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account; provided, that individual notices of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides 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.

Other than operating margins, funds and amounts received by the Cooperative that exceed the Cooperative's costs and expenses (also known as non-operating margins-interest) may be allocated as Capital Credits to Patrons in the same manner as the Cooperative allocates operating margins to Patrons, retained or used by the Cooperative as permanent, non-allocated capital, used to pay or offset any Cooperative cost or expense, or used as otherwise determined or approved by the Board. The term “Capital Credits” means the amounts allocated to a Patron and contributed by the Patron to the Cooperative as capital.

Consistent with these Bylaws, the allocation of Capital Credits is in the discretion of the Board and the Board must determine the manner, method, and timing of allocating Capital Credits. The Cooperative may use or invest unretired Capital Credits as determined by the Board. To secure a Patron's obligation to pay amounts owed to the Cooperative, including any compounded interest and late payment fee, and in return for the Cooperative providing a Cooperative Service to the Patron, the Cooperative has a security interest in Capital Credits allocated to the Patron. The Patron authorizes the Cooperative to perfect this security interest by filing a financing statement. Through a security agreement signed or authenticated by a Patron, the Patron may grant the Cooperative a security interest in Capital Credits allocated to the Patron and authorize the Cooperative to perfect the security interest.

The Board shall have the power to adopt rules providing for the separate treatment of that portion (that is, power supply or other service or supply portion) of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric service or any other service or supply to the Cooperative. Such rules shall;

1. Establish a method for determining the portions of such capital credited to each patron for each applicable fiscal year;
2. Provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's patrons;
3. Provide for appropriate notifications to patrons with respect to such portions of capital credited to their accounts and

4. Preclude a general retirement of such portions of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year.

When a Member terminates Membership in the Cooperative, any amount owed to that Member or any balance due the Cooperative in an amount of \$5.00 (Five and No/100 Dollars) or less shall be written off as a nominal balance. Any other amounts will be refunded at the time of other refunds authorized by this Section.

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. 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. After March 23, 1987, the Board shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital.

Capital credited to the account of each patron shall be assigned 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 provision of these Bylaws, the Board, at its discretion, shall have the power at any time upon the death of any patron, who was a natural person, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby. If no legal representative has been appointed for the estate, an heir of the deceased may make the request and agreement upon such terms and conditions as the Board may prescribe.

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.

Patrons or legal representatives of the estates of patrons may elect to contribute all or a part of the capital credits to the Cooperative or to the Carteret-Craven Electric Foundation. Such election will be made in writing. The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

#### ARTICLE X

##### PAYMENT OF EXPENSES, ETC. IN SELLOUT DELIBERATIONS

In the event that an officer, Director, Member or group of Members shall incur any reasonable expenses, costs, and/or attorney's fees in connection with any mailing publications, membership meeting, or litigation opposed to buying or selling the business or all or substantially all of the assets of the Cooperative, and provided such expenses, costs and/or fees have not been or are not to be reimbursed or paid by any other person, firm, association or corporation, such costs, expenses and fees shall be paid by the Cooperative provided they were incurred in opposition to such proposal.

#### ARTICLE XI

##### WAIVER OF NOTICE

Any Member or Director may waive, in writing, any notice of meetings required to be given by these Bylaws. Personal attendance at any meeting of the Members or Directors shall constitute a waiver of notice of such meeting unless such personal attendance shall be for the express purpose of objecting to the transaction of any business on the ground that the meeting shall not have been lawfully called or convened. Any Member or Director 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 objections. Waiver of Director meetings is also subject to Section 6.3.

ARTICLE XII  
DISPOSITION & PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON  
DISSOLUTION

**Section 12.1. Transfer of Cooperative Assets.** Except for any sale, lease, exchange, or other disposition (“Transfer”) of any Cooperative property or Cooperative asset (“Asset”):

1. To secure indebtedness;
2. Pursuant to condemnation or threat of condemnation;
3. Pursuant to an existing legal obligation;
4. Associated with a consolidation or merger;
5. To another entity operating on a cooperative basis and providing electric energy; or
6. To a Cooperative subsidiary, the Cooperative shall not transfer, during any twelve (12) month period, more than ten per centum (10%) of the Cooperative’s assets unless:
  1. At the expense of the person seeking to purchase, lease or acquire the Cooperative’s assets, the Board appoints three (3) independent appraisers, each of whom, within a reasonable time of appointment, evaluates and renders an appraisal valuing the Cooperative’s assets specified in the proposed transfer (“Appraisal”);
  2. Within a reasonable time of receiving the appraisals, the Cooperative invites any other entities operating on a cooperative basis, providing electric energy, and primarily located within the same state as, or within a state adjacent to, the state in which the Cooperative is primarily located to submit proposals to purchase, lease, or acquire the Cooperative’s assets specified in the proposed transfer, or to merge or consolidate with the Cooperative;
  3. The Board approves the proposed transfer;
  4. By mail ballot, at least three-fourths (3/4) of the total Membership approves the proposed transfer; and
  5. Notice of any Member meeting at which Members will consider the proposed transfer states that one of the purposes of the Member meeting is to consider the transfer, and includes a copy or summary of the proposed transfer.

In proportion to the value or quantity of Cooperative services used 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 exceed the amount paid for the Cooperative assets. Unless otherwise determined by the Members, after the Members approve a transfer, the Board may abandon the transfer. To secure indebtedness, the Board may transfer, mortgage, pledge, dedicate to repayment, or encumber any Cooperative asset.

**Section 12.2. 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 be distributed among all persons who shall 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 five (5) next preceding years, prorated to them on the basis that their respective patronage during all such years bears to the total receipts of the Cooperative for all such years. Provided, however, that if in the judgment of the Board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from federal income taxation.

**Section 12.3. 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 operating on a cooperative basis that provides electric energy (“Consolidate or Merge”).

1. 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;
  - b. Name of each entity consolidating or merging with the Cooperative;

- c. Name 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. Number of Directors of the new entity, which must equal or exceed seven (7);
  - f. Date of the new entity’s annual meeting;
  - g. Names and addresses of the new Directors and their terms of office; and
  - h. Any other information required by law.
2. After the Board approves a consolidation or merger agreement, two-thirds (2/3) of the Members at a meeting called for the purpose of approving the consolidation or merger voting in person or by mail must approve the consolidation or merger agreement.
  3. 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 and any material soliciting Member approval of the consolidation or merger agreement must contain, or be accompanied by, a proposal for merger and articles of merger. 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. After a consolidation or merger agreement is approved, and before articles of consolidation or merger are filed, the Board or Members may abandon the consolidation or merger.

ARTICLE XIII  
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 XIV' 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 Governing Documents, or by action of the Board.

ARTICLE XV  
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 XVI  
LEGAL FORMALITIES

These Bylaws and the other Governing Documents are governed by, and are to be interpreted under the laws of the State of North Carolina and any proceedings or actions arising therefrom shall be brought in a forum of competent jurisdiction located therein. The Board reserves the right to amend the Bylaws of the Cooperative at any time and for any reason consistent with the purpose of the Cooperative. Such amendment may be adopted without prior notice to Members, and such amendment shall become binding on the Members automatically on the effective date of the amendment. The titles and headings of the Articles and Sections of these Bylaws are for convenience and reference only, and do not affect the interpretation of any Bylaw Article, Section, or sub-section thereof. The failure of the Cooperative to assert any right or remedy provided by these Bylaws does not waive the right or remedy provided by these Bylaws. These Bylaws, and all other Governing Documents, constitute the entire agreement between the Cooperative and the Members and supersede any prior or contemporaneous oral or written communication or representation. The

invalidity of any Bylaw provision does not invalidate the remaining Bylaw provisions. In the event a provision of these Bylaws is found to be invalid, the remaining provisions are to be read in such a manner as to give the fullest effect to the entire document as if, to the extent legally possible, the invalid provision were valid.

ARTICLE XVII  
AMENDMENTS

Except as otherwise provided in these Bylaws, these Bylaws may be adopted, amended, or repealed only by two-thirds of Directors present and entitled to vote at a regular or special meeting of the Board. Except as otherwise provided in a Bylaw Amendment, the Amendment is effective the day after the vote approving the Amendment. The Cooperative must notify Members of amended Bylaws at the annual meeting following the amendment.

Notice of a Board meeting at which Directors will consider a proposed Bylaw amendment must: (1) state that the purpose or one 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. After notice of a proposed Bylaw amendment, the proposed Bylaw amendment may not be materially changed before the meeting at which the amendment will be considered.