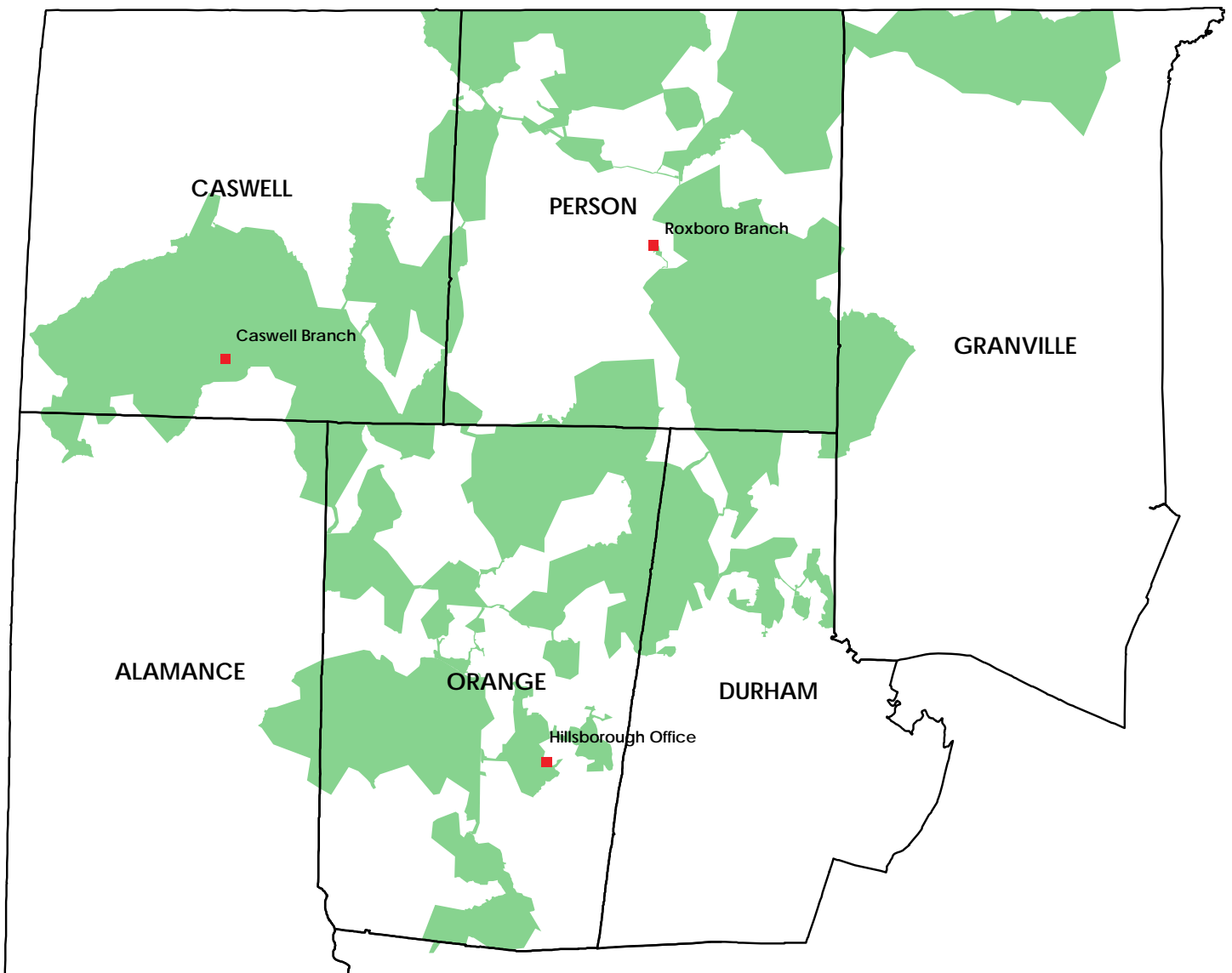


BYLAWS

AS AMENDED JANUARY 22, 2018



Piedmont Electric
Membership Corporation


Your Touchstone Energy Cooperative 

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ARTICLE I MEMBERSHIP

SECTION 1.01.

Eligibility.

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

SECTION 1.02.

Application for Membership; Renewal of Prior Application.

Application for membership, wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all the other bylaws, and all rules, regulations, rate schedules and rate classifications established pursuant thereto, as all the same then exist or may thereafter be adopted, amended or repealed (the obligations embraced by such agreement being hereinafter called "membership obligations"), shall be executed in writing, or by electronic mail, facsimile transmission or other electronic means which the Board of Directors ("Board") may, from time to time, approve, by the applicant on such form as is provided therefore by the Cooperative. With respect to any particular classification of service for which the Board shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided for that purpose by the Cooperative. The membership application shall be accompanied by a membership fee provided for in section 1.03, together with any service security deposit, service connection deposit or

fee, extension deposit, or contribution in aid of construction or executed supplemental contract that may be required by the Cooperative (hereinafter called "other payments, if any"), which fee and such other payments, if any, shall be refunded in the event the application is denied. Any former member of the Cooperative may, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at a reasonable rate as from time to time established by the Board and in effect when such account first became overdue, compounded annually, together with other payments if any, any other charges that may be set forth in the Cooperative's service rules and regulations renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

SECTION 1.03.

Membership Fee; Other Payment, If Any.

The membership fee shall be fixed from time to time by the Board. The membership fee, together with other payments, if any, shall entitle the member to one service connection. A service connection fee or deposit, in such amount as shall be prescribed by the Cooperative, together with other payments, if any, shall be paid by the member for each additional service connection requested by him.

SECTION 1.04.

Joint Membership.

A husband and wife, by jointly executing a membership application, may be accepted into joint membership or, if one of them is already a member, may, upon specifically so requesting in writing signed by the existing member, automatically convert such membership into a joint membership. The words "member," "applicant," "person," "his" and "him," as used in these bylaws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, responsibilities and liabilities of

membership shall apply equally to them; without limiting the generality of the foregoing—

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

SECTION 1.05.

Acceptance into Membership.

Upon complying with requirements set forth in Section 1.02, any applicant shall automatically become a member on the date of his connection for electrical service; PROVIDED, the Cooperative may reject or deny any application and refuse to furnish service it has already begun furnishing, if, prior to the connection of service it determines, or thereafter it discovers, that the applicant is not willing or able to satisfy and

abide by the Cooperative's terms and conditions of membership or that such application should be, or should have been, denied for other good cause, including but not limited to the fact that furnishing service to the applicant would be or is in violation of one or more of the Cooperative's service rules and regulations; PROVIDED, any person so denied and/or refused shall have the right to be heard on the matter by the Board upon timely filing a written request therefore. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for membership 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. Approval of such membership shall only be in accordance with all of the terms and conditions set forth in the bylaws, service rules and regulations, rate classifications and rate schedules of the Cooperative.

SECTION 1.06.

Purchase of Electric Power and Energy; Power Production by Member; Application of Payments to All Accounts.

The Cooperative shall use reasonable diligence to furnish its members with adequate and dependable electric service, although it cannot and, therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy used 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 by official action taken at a regular or special meeting of the Board may in writing waive such requirement; and shall pay therefore at the times, and in accordance with the rules, regulations, rate classifications and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy

actually used, and any charges such as the "wholesale power cost adjustment" which may be invoked by the Cooperative's wholesale power suppliers), established by the Board, and if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Production or use of electric energy on such premises and the consideration or compensation therefore, by means of facilities which shall be interconnected with Cooperative's facilities, shall be subject to appropriate service rules and regulations as shall be fixed from time to time by the Cooperative. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative, any payment by him for service from the Cooperative shall be deemed to be allocated and credited on a pro rata basis to his outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and proration and regardless of any attempted designation or allocation of any such payments by the member to the contrary.

SECTION 1.07.

Excess Payments to be Credited as Member-Furnished Capital.

All amounts paid for electric service in excess of cost thereof shall be furnished by members as capital, and each member shall be credited with the capital so furnished as provided in Article VIII of these bylaws.

SECTION 1.08.

Wiring of Premises: Responsibility Therefore; Responsibility For Meter Tampering or Bypassing and For Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification.

Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the National Electrical Safety Code, with any applicable state code,

with any local ordinances and of the Cooperative. If the foregoing specifications are variant, the more exacting standards shall prevail. Each member shall be responsible for, and shall hold the Cooperative harmless from and indemnify the Cooperative and its employees, agents, independent contractors for death, injury, loss or damage resulting from any defect in or improper use or maintenance of, such premises and all wiring and apparatuses connected thereto or used on the premises. Each member shall make available to the Cooperative a suitable site, as determined solely by the Cooperative, whereon to place the Cooperative's facilities for the furnishing and metering of service and shall permit the Cooperative's authorized employees, agent and independent contractors to have access thereto, safely and without interference from any hostile source, for meter reading and bill collecting and inspection, maintenance, replacement, relocation, repair or disconnection of such facilities, at all reasonable times. As part of the consideration for electric service, each member shall be the Cooperative's bailee of its 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 facilities and their operation and to prevent any interference with or damage to them. If such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall hold harmless and indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage therefrom resulting, 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, reimburse the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative for furnishing service extend beyond the point of delivery.

SECTION 1.09.

Member to Grant Easements to Cooperative if Required.

Each member shall, upon being requested so to do by the Cooperative, execute and deliver to the Cooperative grants of easement or right-of-way over, on and/or under such lands owned by the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service to him or other members or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities.

ARTICLE II MEMBERSHIP SUSPENSION AND TERMINATION

SECTION 2.01.

Suspension, Reinstatement.

Upon his failure, after the expiration of the initial time limit prescribed either in a specific notice to him or in the Cooperative's generally published applicable rules and regulations, to pay the amounts due the Cooperative or to cease any other non-compliance with his membership obligations, a person's membership shall automatically be suspended; and he shall not, during such suspension, be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the members.

Payment of all amounts due the Cooperative, including without limitation any unpaid amounts for electrical service, interest, additional charges, and or deposits, required for such reinstatement, and/or cessation of any other non-compliance with his membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the membership, in which event the member shall

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

SECTION 2.02.

Termination by Expulsion; Renewed Membership; Immediate Disconnection of Service and Expulsion.

Upon the failure of a suspended member to be automatically reinstated to full membership, as provided in Section 2.01, he may, without further notice, but only after due hearing before the Board if such is requested in writing by him, be expelled by resolution of the Board. After the expulsion of a member, he may not again become a member except upon new application therefore duly approved as provided in Sections 1.02 and 1.05. The Board, upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all his membership obligations. Notwithstanding any other provisions of these bylaws, the Cooperative may, forthwith and without prior notice, (a) disconnect a member's electric service upon its determination that such is required because of the existence of an imminent hazard that constitutes a danger to safety, life or property, in which event the Cooperative shall so inform the affected member and shall reconnect such service as soon as practicable after the hazard has been removed and (b) expel him from membership upon its determination that the electric meter has been bypassed or tampered with or that electric service is being utilized in the commission of a criminal act.

SECTION 2.03.

Termination by Withdrawal or Resignation.

A member shall withdraw from membership upon such generally applicable conditions as the Board shall prescribe and upon either (a) ceasing to (or, with the approval of the Board, resigning his membership in favor of a new applicant who also shall) own, lease as lessor or lessee, or directly occupy or use all premises

being furnished electric service pursuant to his membership, or (b) abandoning totally and permanently the use of central station electric service on such premises.

SECTION 2.04.

Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners.

Except as provided in Section 2.06, the death of a natural person member shall automatically terminate his membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership; PROVIDED, that upon the dissolution for any reason of a partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining partner or partners as continue to own, lease as lessor or lessee, or directly to occupy or use the premises being furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners; PROVIDED, FURTHER, that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative by the partnership.

Upon notice to the Cooperative of the death of either spouse holding a joint membership, the joint membership shall terminate. The surviving spouse shall be eligible for membership upon the same terms and conditions set forth in Article I except that the Cooperative, upon application for membership by the surviving spouse, may apply the membership fee originally paid for the joint membership to the membership application submitted by the surviving spouse.

SECTION 2.05.

Effect of Termination.

Upon the termination in any manner of a person's membership, he or his estate, as the case may be, shall be entitled to the refund of his membership fee in accordance with the service rules and regulations of the Cooperative, and any service security deposits he has paid the Cooperative, less any amounts due the Cooperative; but neither he nor his estate, as the

case may be, shall be released from any debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or expulsion of a member, as provided for in Sections 2.01 and 2.02, such suspension or expulsion shall not, unless the Board shall expressly so elect, constitute such release of such person from his membership obligations as to entitle him to purchase from any other person any central station electric power and energy for use at the premises to which such service has theretofore been furnished by the Cooperative pursuant to such membership.

SECTION 2.06.

Effect of Death, Legal Separation or Divorce upon a Joint Membership.

Upon the separation of the spouses of a joint membership (defined as no longer residing at the same residence) or their divorce, such membership shall continue to be held solely by the separated or divorced party who, if such be the case, continues to own, lease as lessor or lessee, or to directly occupy or use the premises covered by such membership, if such be the case, in the same manner and to the same effect as though such membership had never been joint; PROVIDED, neither separated or divorce party shall be released from any debts to the Cooperative.

SECTION 2.07.

Board Acknowledgement of Membership Termination; Acceptance of Members Retroactively.

Upon the termination of a person's membership for any reason, the Board, as soon as practicable after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination effective as of the date on which the Cooperative ceased furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for membership 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. Approval of such membership shall only be in accordance with all of the terms and conditions set forth in the bylaws, service rules and regulations, rate classifications and rate schedules of the Cooperative.

ARTICLE III MEETINGS OF MEMBERS

SECTION 3.01. Annual Meeting.

For the purposes of electing directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held on, or about, the third Friday of the month of April of each year, at such place in one of the counties in North Carolina in which the Cooperative serves, and beginning at such hour, as the Board shall from year-to-year fix; PROVIDED, that for good cause the Board may fix a different date for such annual meeting not more than thirty (30) days prior or subsequent to the date established for such meetings in this Section. It shall be the responsibility of the Board to make adequate plans and preparations for and to encourage member attendance at the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02. Special Meetings.

A special meeting of the members may be called by resolution of the Board or by petition addressed to the Board and signed by at least five (5%) percent of the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.03. Such a meeting shall be held at such place in Orange County, North Carolina, on such date, and beginning at such hour as shall have been designated by those calling the same: PROVIDED, that the meeting may be held in any

other county in which the Cooperative serves if the Board calls the meeting and so decides.

SECTION 3.03. Notice of Member Meetings.

Written or printed notice of the place, day and hour of the meeting, and, in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting, shall be delivered to each member not less than seven (7) days nor, more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary or upon the Secretary's default in this duty, by those calling it in the case of a special meeting or by any other director in the case of an annual meeting whose time, place and date have actually been fixed by the Board. No action, the carrying of which as provided by law requires the affirmative votes of a clear majority of all the Cooperative's members, shall be acted upon at any meeting of the members unless notice of such proposed action 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 seven (7) days before the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental failure of any member to receive such notice shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person or by proxy of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such personal 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 or on some other lawful ground; but such objection shall be in writing and delivered to the secretary prior to or at the beginning of the meeting.

SECTION 3.04.

Quorum.

Attendance in person of at least one (1%) percent of the total members of the Cooperative shall be required for the transaction of business at any meeting of the members. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date at least fifteen (15) days later and to any place within one of the counties in North Carolina in which the Cooperative services: PROVIDED, that the Secretary shall notify any absent members of the new time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03. At all meetings of the members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those who were present in person and by proxy.

SECTION 3.05.

Voting.

Each member who is not in a status of suspension, as provided for in Section 2.01, shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registration at the member meeting, of satisfactory evidence entitling the person presenting the same so to vote. At all meetings of the members at which a quorum is present all questions shall be decided by a majority of the members voting thereon in person or by proxy, except as otherwise provided by law or by the Cooperative's certificate of incorporation or bylaws.

SECTION 3.06.

Proxies.

At any meeting of the members or any adjournment thereof, any member, including members which are and are not natural persons, may vote by proxy, but only if such proxy:

- a) is registered with the Cooperative at its principal office in Hillsborough, Orange

County, North Carolina, during office hours on or before the third business day next preceding the date of the meeting or any adjournment thereof, as the case may be;

- b) is executed by the member in writing and designates the holder(s) thereof (and/or, if the member so desires, confers upon the holder(s) full power of substitution), which holder(s) [or substitute(s), if any] shall be the member's spouse, an adult close relative (18 years or older) residing in the same household as the member or another member (except that the natural person need not himself be a member);
- c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted; and
- d) is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof; PROVIDED, any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executes two or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them shall be valid or recognized. The presence in person of a member at any meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy; PROVIDED, if a member's proxy has already registered

before such member registers in person at a member meeting, it shall be the responsibility of such member to take all measures necessary to find such proxy holder and to reverse the proxy's registration before such proxy may be voided and such member may vote in person; AND PROVIDED FURTHER, in the event the proxy holder has already cast one or more votes of such member, the effect thereof shall not be in any manner changed or voided. A person entitled under this Section shall vote as proxy for not more than one (1) member on any matter including but not limited to the election of directors. Notwithstanding the foregoing provisions of this Section, whenever a member is absent from a meeting of the members whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member has given a written proxy to some other person eligible to vote such proxy.

SECTION 3.07.

Credentials and Election Committee.

- a) The Board shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee. The Committee shall consist of not less than five (5) nor more than eleven (11) Cooperative members who are not existing Cooperative employees, agents, officers; directors of the Cooperative or close relatives or members of the same household thereof, are not known candidates for directors to be elected at such meeting. In appointing the Committee, the Board shall have regard for equitable representation of the several areas served by the Cooperative. The Committee shall, at its first meeting, elect such officers as may be necessary for the orderly conducting of its business. It shall be the responsibility of the Committee to pass upon all questions that may arise with respect to the registration of members in person or by proxy, to supervise the counting of all ballots cast in any election or in any other ballot vote taken,

and to rule upon the effect of any ballots irregularly marked. The Committee's decisions on all such matters shall be final.

SECTION 3.08.

Order of Business.

Insofar as possible the order of business at the annual meeting of the members and at all other meetings of the members shall be essentially as follows:

- a) Report on the number of members present in person in order to determine the existence of a quorum.
- b) 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.
- c) Reading of the unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- d) Presentation and consideration of reports of officers, directors, and committees.
- e) Election of directors.
- f) Unfinished business.
- g) New business.
- h) Adjournment. Notwithstanding the foregoing, the Board may from time to time establish a different order of business for the purpose of assuring the earlier consideration and action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business: PROVIDED, that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

ARTICLE IV DIRECTORS

SECTION 4.01.

General Powers.

The business and affairs of the Cooperative shall be managed by a Board of ten (10) Directors,

which shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's certificate of incorporation or bylaws conferred upon or reserved to the members.

**SECTION 4.02.
Qualifications.**

Any member who is a natural person shall be eligible to become or remain a director of the Cooperative except those who:

- a) while serving on the Board or during the ten years preceding their nomination thereto shall have been finally adjudged to be guilty of a felony; or
- b) become, or at any time during the ten years preceding their nomination have been, employed by (or be a close relative of a person who becomes, or at any time within the preceding ten years shall have been, employed by) a labor union which represents, has represented, or has endeavored to represent any employees of the Cooperative; or
- c) are or become a close relative of an incumbent director or of an employee of the Cooperative; or
- d) have not continuously been, for at least one (1) year prior to their nomination, or who has ceased after their election to be, receiving service therefrom at their primary residential abode in the Directorate District from which they are elected; or
- e) have not fulfilled all obligations of the member for all accounts under the member's name; or
- f) have, within the previous twelve months, had more than two delinquent billings, had any involuntary disconnections, or has had any meter tampering violations; or
- g) are removed by a majority vote of the remaining directors, in accordance with the procedures hereinafter set forth or pursuant to the policies of the Board of Directors; or
- h) are not at least eighteen (18) years old; or
- i) are or within the past ten years have been employed by the Cooperative; or
- j) are or within the past ten years have been employed by any subsidiary of the Cooperative; or
- k) are or within the past ten years have been employed by any cooperative, corporation, limited liability company or other organization or legal entity in which the Cooperative is a member; or
- l) are or within the past ten years have been employed by any cooperative, corporation, limited liability company or other organization or legal entity in which the Cooperative is a stockholder owning or in control of two percent or more of the outstanding interest.

Upon establishment of the fact that a person nominated for director by the Nominating Committee lacks eligibility under this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the Board to disqualify that person. Upon the establishment of the fact that any person being considered for, or already holding, a directorship or other position of trust in the Cooperative lacks eligibility under this Section, it shall be the duty of the Board to withhold such position from such person, or to cause them to be removed therefrom, as the case may be. Should the Board decide to vote on the issue of whether or not a director should be removed from office for failing to meet one or more of the qualification requirements set forth in subparagraphs (a) through (l) above, such director shall be given written notice, not less than ten (10) days in advance of such meeting where said vote is to be taken, and such director shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present other evidence with respect to the issue being considered; PROVIDED said director shall bear the cost of any such representation of witnesses or other costs of defense, including but not limited to the expense of retaining and being represented by counsel.

In the event that a director misses three (3) regular meetings of the Board during any twelve (12) consecutive months, then and in said event, the Board shall review the reason(s) for such absences. The Board shall consider whether good cause exists for such absences and whether such cause will likely result in such absences during the next ensuing twelve (12) consecutive regular Board meetings. The Board, upon majority vote, may declare the office of such director vacant if it determines that a) good cause does not exist for such absences or b) such cause will likely result in such absences during the next ensuing twelve (12) consecutive regular Board meetings. Nothing contained in this Section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board, unless such action is taken with respect to a matter in which one or more of the directors have a personal interest in conflict with that of the Cooperative and the vote of the director with a conflicting personal interest would have resulted in a different outcome had that director been disqualified from voting.

SECTION 4.03.

Election.

At each annual meeting of the members, directors shall be elected by anonymous ballot by the members as determined by Article I above from among natural persons who are members; PROVIDED, when the number of nominees does not exceed one, balloting may be dispensed with respect to that District and voting may be conducted in any other proper manner. The ballot shall list the nominees for each district from which a director must be elected, pursuant to these bylaws at the annual meeting, and shall indicate which of the nominees for each district have been nominated by the Committee on Nominations and which nominees for each district, if any, have been nominated by petition. The candidate for each Directorate to be elected at the annual Meeting receiving the highest number of votes cast shall win. Runoff election(s) between or among any candidates who have the same number of votes cast shall resolve, any

tie votes. If the run-off election results in a tie vote, the winner shall be determined by a vote of the directors of the Cooperative who represent the Directorates that are not being elected at the Annual Meeting for that year.

SECTION 4.04.

Tenure.

Directors shall be so nominated and elected that, beginning with the 1966 annual meeting of the members, three (3) directors shall serve a term of one (1) year, three (3) shall serve a term of two (2) years, and three (3) shall serve a term of three (3) years; and, beginning with the 1967 annual meeting of the members, and at each such meeting thereafter, the same number of directors that corresponds with the number whose terms are expiring shall be elected to serve a term of three (3) consecutive years. In addition, there shall be elected every three (3) years, one (1) director at large. Upon their election, directors shall take office at the second regular meeting of the Board as provided in Article V, Section 5.01, following the annual meeting. Upon taking office, directors shall, subject to the provisions of these bylaws with respect to the removal of directors, serve until the second regular monthly meeting of the Board following the annual meeting of the members of the year in which their term expires or until their successors shall have been elected and shall have qualified. If, for any reason, an election of directors shall not be held at an annual meeting of the members duly fixed and called pursuant to Sections 3.01 and 3.03, such election may be held at an adjournment of such meeting or at a subsequently held special meeting of the members and the incumbent directors shall continue to serve as directors until the second regular monthly meeting of the Board following the election of directors.

SECTION 4.05.

Directorate Districts.

Directors shall be so nominated and elected that, beginning with the Board as constituted after the 1966 annual meeting of the members, the Board shall be comprised of one (1) director from each of the following Directorate Districts,

and (l) director "at large" from the total area served.

DISTRICT NUMBER ONE

Consisting of Chatham County and that portion of Orange County which is

- a) bordered on the East by the Orange County-Durham County line;
- b) bordered on the North by U. S. Interstate Highway No. 85;
- c) bordered on the West by a boundary consisting of the main State paved highway going to Orange Grove from Hillsborough, beginning from the intersection with Highway 85 and proceeding through Orange Grove to its intersection with State Highway No. 54, hence Eastward along No. 54 to Collins Creek, and thence Southward on Collins Creek to its intersection with the Chatham County line; and
- d) bordered on the South by Orange County - Chatham County line from Collins Creek Eastward to the Orange County - Chatham County - Durham County intersection or corner.

DISTRICT NUMBER TWO

Consisting of those portions of Orange and Alamance Counties which are

- a) bordered on the East by the Western boundary of District No.1, and by State Highway No. 86 from its intersection with Interstate 85 Northward to its Southernmost intersection with State Highway No. 49;
- b) bordered on the North and West by Highway No. 49 from such intersection Southward to State Highway No. 119, thence Southward on No. 119 to State Highway No. 54, thence Westward on No. 54 to Haw River and thence Southward along the Haw River to the Chatham County line; and
- c) bordered on the South by the Orange-Chatham County line from the Haw River Eastward to Collins Creek.

DISTRICT NUMBER THREE

Consisting of those portions of Alamance and Caswell Counties which are

- a) bordered on the South by the Alamance County-Chatham County line;
- b) bordered on the West by the Guilford County-Rockingham County lines;
- c) bordered on the North by the North Carolina-Virginia State line; and
- d) bordered on the East by State Highway No. 62 from its intersection with the North Carolina-Virginia State line, Southward to its intersection with the Alamance County-Caswell County line, thence Eastward on said line to its intersection with State Highway No. 49, thence Southward on No. 49 to the Northern beginning of the North and West border of District No. 2, thence Southward on said border to the Alamance County - Chatham County intersection or corner.

DISTRICT NUMBER FOUR

Consisting of that portion of Caswell County that is

- a) bordered on the East by the Caswell County - Person County line;
- b) bordered on the North by North Carolina - Virginia State line;
- c) bordered on the West by that portion of Highway No. 62 which runs Southward from said State line to the point of intersection with the Caswell County - Alamance County line; and
- d) bordered on the South by the Caswell County line from such intersection Eastward to the Caswell County - Alamance County intersection or corner.

DISTRICT NUMBER FIVE

Consisting of that portion of Person County that is

- a) bordered on the West by the Person County - Caswell County line;

- b) bordered on the North by the North Carolina - Virginia State line;
- c) bordered on the East by State Highway No. 50I from its intersection with said State line Southward to its intersection with the Person County - Durham County line; and
- d) bordered on the South from such intersection Westward along the Person County - Durham County and Person County - Orange County lines to the Person County - Orange County - Caswell County intersection or corner.

DISTRICT NUMBER SIX

Consisting of those portions of Person and Granville Counties that are

- a) bordered on the North by the North Carolina - Virginia State line;
- b) bordered on the East by the Granville County - Vance County line from that line's intersection with the North Carolina - Virginia state line Southward to the point of its intersection with Carolina Power and Light Company's Henderson-to-Roxboro 132 KV Transmission line;
- c) bordered on the South by said transmission line running Westward to its intersection with State Highway No. 50I; and
- d) bordered on the West by No. 50I from such intersection Northward to the North Carolina - Virginia State line.

DISTRICT NUMBER SEVEN

Consisting of all of Granville County not included in District Number Six, and consisting of that portion of Person County that is

- a) bordered on the North by the Southern boundary of District Six (Carolina Power and Light Company's transmission line);
- b) bordered on the West by Highway No. 50I from its intersection with said transmission line Southward to its intersection with the State paved highway going to Timberlake,
- c) bordered on the South by said paved highway from such intersection Eastward

through Timberlake to Moriah and thence to the Granville County line; and

- d) bordered on the East by the Person County - Granville County line.

DISTRICT NUMBER EIGHT

Consisting of that portion of Person County not lying in Districts 5, 6, or 7, and consisting of those portions of Durham and Orange Counties that are

- a) bordered on the East by Durham County - Granville County and Durham County - Wake County lines;
- b) bordered on the South by the Durham County - Wake County and Durham County - Chatham County lines;
- c) bordered on the West by the Durham County - Orange County lines to the point of its intersection with interstate No. 85, thence on No. 85 to its intersection with State Highway No. 86, thence Northward on No. 86 to its intersection with Highway No. 57, thence with Highway No. 57 northward to its intersection with the South Fork of the Little River, thence down said river to its confluence with the North Fork thereof, thence down the resulting Little River to its intersection with State Highway No. 50I, and thence Northward on No. 50I to the Person County - Durham County line; and
- d) bordered on the North by the Person County - Durham County line Eastward to the Person County - Durham County - Granville County intersection or corner.

DISTRICT NUMBER NINE

Consisting of those portions of Orange and Durham Counties that are

- a) bordered on the West by State Highway No. 86 from its Northernmost intersection with Highway No. 57 Northward to its intersection with the Caswell County - Orange County line;
- b) bordered on the North from such intersection Eastward along the Caswell County - Orange County, Person County - Orange

County, and Person County - Durham County lines, to the intersection with Highway No. 50I; and

- c) on the East by Highway No. 50I Southward to its intersection with Little River, thence up Little River to the South Fork thereof, thence up the South Fork thereof to its intersection with Highway No. 57, and thence Southward on No. 57 to its intersection with No. 86.

AT LARGE DIRECTORATE

One director shall serve "at large" for three (3) years from the total area served.

All landmarks set forth in this section are described as they existed on January 1, 1966.

SECTION 4.06. Nominations.

- a) Nominations Committee: It shall be the duty of the Board to appoint a Nominations Committee consisting of ten (10) persons who are members but are not directors or close relatives of directors, and who are so selected that each of the Cooperative's Directorate Districts and the at large directorate shall have one representative thereon. The Committee shall meet and nominate candidates for each of the Cooperative's Directorate Districts to be elected at the next annual meeting and the at large director if that directorate is to be elected at the next annual meeting. The Committee shall nominate at least one (1) nominee for each such District and may nominate more than one (1) nominee for each such District. The Committee shall show clearly each nominee(s) and the Directorate District for which they are nominated. In addition, the Committee shall nominate each three (3) years at least one (1) candidate and may nominate more than one (1) candidate for the "at large" position. The Committee shall ensure that all members nominated meet the qualifications to serve as a director set forth in section 4.02. The Committee shall meet as necessary in order to complete its nominations no later than thirty days preceding the deadline for

nomination by petition as is set forth in the following subsection to provide the opportunity for any qualified member who desires to be placed on the ballot at the upcoming annual meeting but not nominated by the Committee, to seek nomination by petition as set forth in the following subsection.

- b) Nominations by Petition: Any fifty (50) or more members of the Cooperative, acting together, may make additional nominations in writing over their signatures, in like manner listing the nominees separately with respect to the Directorate Districts from which they are nominated, on or before February 14 preceding the annual meeting at which such directors are to be elected. Any member nominated by petition as a candidate for any Directorate must meet the qualifications to serve as a director set forth in section 4.02 before the nominee's name may be placed on the ballot for election at the annual meeting.
- c) Mailing of Notice of Elections: The Secretary shall mail to the members with the notice of the meeting, or separately, or through any publication routinely used by the Cooperative for communication with the membership on a monthly basis at least seven (7) days and not more than forty-five (45) days prior to the meeting, the names of all nominees for each such district, showing separately those nominated by the Committee and those nominated by petition, if any.
- d) Posting of Nominations: Once the signatures of the members on any petition and the qualifications to serve of the nominees are verified, the names of all nominees for each directorate district and the names of each nominee for the at large directorate, if it is to be elected at the upcoming annual meeting, shall be posted at the principal office of the Cooperative. The Posted Notice of all nominees shall show the directorate for which each nominee seeks election as director and may indicate those nominated

by the nominations committee and those nominated by petition.

- e) Announcement at the annual meeting: The candidates and their respective districts shall be announced at the annual meeting prior to the election of directors. There shall be no nominations from the floor at the annual meeting. Elections shall be conducted in accordance with Section 4.03.
- f) Validity of Elections: Notwithstanding the provisions contained in this section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board after the election of directors.

SECTION 4.07.

Voting for Directors; Validity of Board Action.

In the election of directors, each member shall be entitled to vote for one (1) nominee for each directorship to be elected. Ballots marked in violation of the foregoing restriction with respect to one or more Directorate Districts shall be invalid and shall not be counted with respect to such District(s). Notwithstanding the provisions contained in Section 4.06 and this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board after the election of directors.

SECTION 4.08.

Removal of Directors by Members.

Any member may bring one or more charges for failure to meet the qualifications set forth in Section 4.02 against any one or more directors 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 five (5%) percent of the members of the Cooperative, which petition calls for a special member meeting the stated purpose of which shall be to hear and act upon such charge(s) and, if one or more directors are recalled, to elect their successor(s), and which specifies the place, time and date thereof, not sooner than thirty-five (35) days after the filing of

such petition, or requests that the matter be acted upon at the subsequent annual member meeting, if such meeting will be held not sooner than thirty-five (35) 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), the name(s) of the director(s) against whom such charge(s) is (are) being made and a clear and concise statement of such charge(s) including the specific qualification(s) such director is alleged to have failed to meet. 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. A verbatim written notice of such charge(s), of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members, not less than seven (7) days prior to the member meeting at which the matter will be acted upon; PROVIDED, the notice shall set forth (in alphabetical order) only twenty (20) of the names of the members filing one or more charges, if more than twenty (20) members file the same charge(s) against the same director(s). Such director(s) shall be informed in writing of the charge(s) after the petition has been validated and at least twenty (20) days prior to the meeting at which the charge(s) are to be considered, shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present other evidence in respect of the charge(s), and shall be heard last; and the person(s) bringing the charge(s) shall have the same opportunity, and shall 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 separately be 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; PROVIDED, 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 to the meeting. A newly elected director shall be from the same Directorate District as was the director whose office he succeeds and shall serve the unexpired portion of the removed director's term.

SECTION 4.09.

Vacancies.

Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining directors. A director thus elected shall be a resident of the same Directorate District of which the director of whose office he succeeds was a resident and shall serve out the unexpired term or until his successor shall have been elected and qualified; PROVIDED, that the "at large" director may come from any part of the total area served by the Cooperative.

SECTION 4.10.

Compensation: Expenses.

For their services as such, directors shall receive such compensation, which may include insurance benefits, as is fixed by resolution of the Board of Directors. For the performance of their duties, directors shall also receive advancement or reimbursement of any actual travel and out-of-pocket expenses incurred, in accordance with the Cooperative's established policies applicable to employees on authorized travel. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by a vote of the members or such payment and amount shall be specifically authorized by the remaining directors upon their certification of such as an emergency measure.

SECTION 4.11.

Policies, Rules, Regulations, Rate Schedules, and Contracts.

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

SECTION 4.12.

Accounting System and Reports.

The Board shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books, and records reflecting the Cooperative's financial operations during and financial condition as of the end of such year. A summary of such financial operations and conditions shall be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

SECTION 4.13.

"Close Relative" Defined.

As used in these Bylaws, "close relative" means a person who, by blood or in law, including step, half, foster and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, or sister of the principal person.

SECTION 4.14.

Resignation of a Director.

Any Director may resign at any time by delivering written notice of resignation to the Board, Chairman of the Board, Secretary or President/Chief Executive Officer. Unless the written notice of resignation specifies a later effective date, a Director's resignation is effective upon receipt of the written notice of

resignation by the Board, Chairman of the Board, Secretary or President/ Chief Executive Officer. If a Director's resignation is effective at a later date, and if the successor Director does not take office until the effective date of the Director's resignation, then the pending Director vacancy may be filled before the effective date of the Director's resignation. A resignation does not have to be approved to be effective.

SECTION 4.15.

Duties of Directors.

Directors shall hold and exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's certificate of incorporation or bylaws conferred upon or reserved to the members. Directors shall establish the policies that govern the operation of the Cooperative and adopt service rules and regulations to implement the business practices of the Cooperative. Directors have a fiduciary duty to the membership of the Cooperative to perform their functions as directors in the best interest of the Cooperative membership as a whole and shall, upon initially taking office, take an oath that they will faithfully execute their duties as a director. Directors shall make decisions that, in their opinion in the exercise of their business judgment, serve the best interest of the Cooperative membership as a whole. Directors shall abstain from voting in instances where their personal interest may affect or have the appearance of affecting their business judgment and/or their fiduciary duty as a director. Directors shall make reasonable efforts to be informed of the operation of the Cooperative but shall refrain from interfering with the day-to-day operations of the Cooperative.

ARTICLE V MEETINGS OF DIRECTORS

SECTION 5.01.

Regular Meetings.

A regular meeting of the Board shall be held monthly at such date, time, and place in a county in which the Cooperative serves, as the Board may provide by resolution. Except when business to be transacted thereat shall require

special notice, such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof; PROVIDED, that any director absent from any meeting of the Board at which such resolution determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board.

SECTION 5.02.

Special Meetings.

Special meetings of the Board may be called by the Board, by the Chairman of the Board or by any five (5) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.04. The Board, the Chairman of the Board or the directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in Orange County, North Carolina, unless all directors consent to its being held in some other county in which the Cooperative serves or other location outside of the Cooperative's service area.

SECTION 5.03.

Notice of Directors Meetings.

Written notice of the date, time, place, (or telephone conference call) and purpose of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board, shall be delivered to each director not less than five (5) days prior thereto either personally or by mail, by or at the direction of the Secretary, or upon his default in this duty, by him or those calling it in the case of a special meeting or by any other director in the case of a regular meeting whose date, time and place have already been fixed by Board Resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at his address as it appears on the Cooperative's records, with postage thereon prepaid and postmarked at least five (5) days before the meeting date. The attendance of a director at any meeting of the Board shall constitute a

waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business on the grounds that the meeting shall not have been lawfully called or convened and such objection is stated immediately upon the commencement of such meeting.

SECTION 5.04.

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: PROVIDED, that a director who by law or these bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of directors in office; AND PROVIDED FURTHER, that, if less than a quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause any absent directors to be duly notified of the time and place of such adjourned meeting.

ARTICLE VI OFFICERS

SECTION 6.01.

Number and Title.

The elected officers of the Cooperative shall be a President elected in accordance with North Carolina General Statutes section 117-13, who shall serve as and be denominated as the Chairman of the Board, Vice Chairman, Secretary, Treasurer and such other officers as may from time to time be determined by the Board. The offices of Secretary and Treasurer may be held by the same person.

SECTION 6.02.

Election and Term of Office.

The officers listed in Section 6.01 shall be elected annually by and from the Board at the second regular monthly meeting of the Board as provided in Article V, Section 5.01, held after each annual meeting of the members, such

meeting being the meeting that the directors elected at the previous annual meeting shall take office. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the second monthly meeting of the Board held after the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of directors by the members and to the removal of officers by the Board. Any other officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board may from time to time deem advisable.

SECTION 6.03.

Removal.

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

SECTION 6.04.

Vacancies.

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

SECTION 6.05.

Chairman of the Board.

The Chairman of the Board

- a) shall be the principal executive officer of the Board and shall preside at all meetings of the Board and, unless otherwise determined by the Board, at all meetings of the members of the Cooperative;
- b) shall sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these bylaws to some other officer or agent of the cooperative, or shall be

required by law to be otherwise signed or executed; and

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

SECTION 6.06.

Vice Chairman.

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

SECTION 6.07.

Secretary.

The Secretary shall: In general perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board.

SECTION 6.08.

Treasurer.

The Treasurer shall: In general perform all the duties incident to the office of the Treasurer and such other duties as from time to time may be assigned to him by the Board.

SECTION 6.09.

Delegation of Officers' Secretary's and Treasurer's Responsibilities.

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

SECTION 6.10.

President, Chief Executive Officer, General Manager.

The Board shall appoint a President who may also be designated as the Chief Executive Officer, General Manager or such other title as the Board may, from time to time, deem appropriate and consistent with the duties and responsibilities of the position and who may be, but who shall not be required to be, a member of the Cooperative. Such officer shall perform such duties as the Board may from time to time require of him and shall have authority as the Board may from time to time vest in him; and the Board shall set forth and maintain, and shall from time to time review and as appropriate revise, a written description of such duties and responsibilities. Among other responsibilities as determined by the Board, he shall

- a) keep the minutes of the meetings of the members of the Board in one or more books provided for that purpose;
- b) see that all notices are duly given in accordance with these bylaws or as required by law;
- c) be custodian of the corporate records and of the seal of the Cooperative in accordance with the provisions of these bylaws or as required by law;
- d) keep a register of the post office address of each member, which address shall be furnished by such member;
- e) have general charge of the books of the Cooperative in which a record of the members is kept;
- f) keep on file at all times a complete copy of the Cooperative's Articles of incorporation and of its bylaws, together with all amendments thereto;
- g) maintain all of the foregoing at the Cooperative's principal office, the same being accessible for inspection or use by any director at any reasonable time;
- h) have charge and custody of, and be responsible for, all funds and securities of the

Cooperative from the time of their receipt until their deposit, disbursement or investment pursuant to budget authorizations and policies as may be established by the Board of directors; deposit Cooperative funds, of whatever kind or nature, in only such depositories as are authorized by the Board; and invest Cooperative funds in up to only such aggregate amount, and in only such securities, as are authorized by the Board, either specifically or by General Policy.

- i) receive and give receipts for moneys due and payable to the Cooperative from any source whatever.
- j) The specific responsibilities delegated to such officer shall be supplementary to and complementary with, not in lieu of or in conflict with, any policies already established.

SECTION 6.11.

Bonds.

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

SECTION 6.12.

Reports.

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

SECTION 6.13.

Indemnification.

The Cooperative shall indemnify and hold harmless its past and present directors and officers and may, but shall not be obligated to, so indemnify and hold harmless one or more of

its past and present agents and other employees, against liability and related costs, including reasonable attorneys fees, because of any act or omission in connection with their relationship to the Cooperative in such capacities, to the maximum extent allowed by law, including, and supplementary and subject to, but not limited to, North Carolina General Statutes §117-46; and may purchase insurance to cover such indemnification.

SECTION 6.14.

Committees.

The Board may create committees of the Board ("Board Committees") and appoint Directors to serve on the Board Committees. Each Board Committee must consist of two (2) or more Directors and each Board Committee shall serve and continue to exist for such time, as the Board, in its discretion, shall determine. At least a majority of the Directors must approve the creation of any Board Committee and at least a majority of the Directors must appoint the Directors to the Committee, provided, however, the Board may delegate the responsibility of appointment of the membership of any Director Committee to an officer of the Cooperative.

ARTICLE VII

CONTRACTS, CHECKS AND DEPOSITS

SECTION 7.01.

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 7.02.

Checks, Drafts, Etc.

All checks, drafts or other orders for the payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative, shall be signed by such officer, 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 7.03.

Deposits; Investments.

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

ARTICLE VIII NON-PROFIT OPERATION

SECTION 8.01.

Interest or Dividends on Capital Prohibited.

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

SECTION 8.02.

Patronage Capital in Connection with Furnishing Electric Energy.

In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an

appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the percentage of such excess so credited to his account. Subject to the provisions herein set forth, 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 legal obligation to do so and the patron had then furnished the Cooperative corresponding amount for capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be

- a) used to offset any losses incurred during the current or any prior fiscal year and
- b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro-rata basis before any payments are made on account of property rights of members; PROVIDED, insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during the period insofar as is practicable, as determined by the Board, before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. The Board shall determine the method of allocation, basis, priority and order of retirement, if any, for all amounts furnished as patronage capital; PROVIDED, however, that the Board shall have

the power to adopt rules providing for the separate retirement of that portion ("power supply or other service or supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing power supply or any other service or supply to the Cooperative.

Such rules shall

- a) establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year,
- b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's patrons,
- c) provide for appropriate notifications to patrons with respect to such portions of capital credited to their accounts and
- d) preclude a general retirement of such portions of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year. Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative unless the Board, acting under Policies of general application, shall determine otherwise.

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 any interest thereon at a reasonable rate as from time to time established by the Board and in effect when such amount became overdue, compounded annually.

Notwithstanding any other provisions of these bylaws, the Board, at its discretion, shall have the power at any time upon the death of any

patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire such capital immediately upon such terms and conditions as the Board, acting under policies of general application to situations of like kind, and such legal representatives shall agree upon; PROVIDED, however, that the financial condition of the Cooperative will not be thereby impaired. The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Cooperative and 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.

SECTION 8.03. Patronage Refunds in Connection With Other Services.

In the event that the Cooperative should engage in any business of furnishing goods or services other than electrical energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons from whom such amounts were obtained at such time and in such order of priority as the Board shall determine.

SECTION 8.04. Patrons May Donate Capital.

In accordance with such rules, regulations and policies as the Board may from time to time adopt, a patron, either personally or in the event of a deceased member, through their executor, administrative, personal representative or surviving heirs, by executing in writing on a form provided by the Cooperative, may voluntarily donate any capital accrued to their account to the Cooperative. Any donated capital shall be held or invested by the Cooperative for the

general operation of the Cooperative's business. In the event of dissolution or liquidation of the Cooperative, any donated capital shall be distributed as is set forth in Section 8.02 above.

ARTICLE IX WAIVER OF NOTICE

SECTION 9.01. Waiver of Notice.

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

ARTICLE X CONSOLIDATION AND MERGER

SECTION 10.01. Process of Consolidation and Merger.

Notwithstanding the provisions of Article X herein, the Cooperative may consolidate with any one or more other electric membership cooperative organized under Chapter 117 of the North Carolina General Statutes, into a new corporation or may merge with an any one or more other electric membership cooperatives organized under Chapter 117 of the North Carolina General Statutes, provided that the Cooperative strictly comply with all applicable provisions of Article 5 of Chapter 117 of the North Carolina General Statutes.

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

SECTION 11.01. Disposition and Pledging of Property.

- a) Not inconsistent with the provisions of subsection
- b) Hereof, the Cooperative shall not sell, mortgage, lease or otherwise encumber or dispose of any of its property (other than merchandise and property which lie within the limits of an incorporated city or town, which shall represent not in excess of ten

(10%) percent of the total value of the Cooperative's assets, or which in the judgment of the Board are not necessary or useful in operating the Cooperative) unless authorized so to do

- 1) by the votes cast of at least two-thirds (2/3) of its total members, and
- 2) by the consent of the holders of seventy-five (75%) percent in amount of the Cooperative's outstanding bonds.

Notwithstanding the foregoing provisions of this Section, the members of the Cooperative may, by the affirmative majority of the votes cast in person or by proxy at any meeting of the members, delegate to the Board the power and authority

- 1) to borrow monies from any source and in such amounts as the Board may from time to time determine and
 - 2) to mortgage or otherwise pledge or encumber any or all of the Cooperative's property or assets as security therefore and
 - 3) to sell and lease back any of the Cooperative's property or assets.
- c) Supplementary to the first sentence of the foregoing subsection (a) and any other applicable provisions of law or these Bylaws, no sale, lease, lease-sale, exchange, conveyance, transfer or other disposition of all or substantially all of the Cooperative's properties and assets ("transaction") shall be authorized except in conformity with the following:
- 1) Upon receipt of any proposal for any such transaction, before acceptance, if the Board looks with favor upon any proposal for any such transaction, it shall first appoint three persons each of whom is independent of the Cooperative and of the other two and is expert in electric utility property evaluations, and commission them separately to study, appraise and evaluate such assets and properties, including their going concern

value and the values associated with the right of the members to participate in the ownership and control of the Cooperative. Such appraisers shall be instructed to, and shall, take into account any other factors they may deem relevant in determining the present market value of such assets and properties. Within not more than one hundred eighty (180) days after their appointment and commission, each appraiser shall independently render his highest determination of such present value. The Board shall not recommend any proposal that within one (1) year before or thereafter it shall have received for such a transaction or, within one (1) year thereafter, make any offer of such a transaction, for a consideration that is less than the highest such determination rendered by the appraisers; nor shall it, following the expiration of one (1) year thereafter, make such a recommendation or offer without again first complying with the foregoing appraisal requirements.

- 2) If, after receiving such appraisals, the Board resolves to pursue the matter further, it may, within sixty (60) days after adoption of such resolution, transmit the appraisals, together with any underlying data and information that may have accompanied them, to every other electric membership corporation corporately located and operating in North Carolina and invite it to submit competing or alternative proposals, including proposals to merge or consolidate with the Cooperative. Such appraisals shall also be accompanied by any proposal for such a transaction received by the Cooperative within one (1) year prior to the receipt of the last appraisal or received subsequent thereto but prior to the adoption of such resolution; PROVIDED, only the most recent proposal from an entity that has made two or more proposals need be so

transmitted. Such other electric membership corporations shall be given at least sixty (60) days within which to submit competing or alternative proposals, and they shall be notified in such transmittal of the actual final date for such submissions.

- 3) If, after such date, the Board so resolves, it shall recommend and submit to the members (A) a proposal for such a transaction or (B) a proposal to merge or consolidate the Cooperative with one or more other electric membership corporations. The Board may recommend and submit two or more such proposals in the alternative, in which case it shall specify its preference as to which shall be approved by the members, that is, first choice, second choice, etc., and the order in which such alternatives will be considered and acted upon at the meeting. The Board shall accompany its recommended proposal(s) with verbatim copies of all competing or alternative proposals it has received, together with all of the appraisals and any underlying data and information that may have accompanied such appraisals. The Board shall submit such recommendation and information to the members and shall at the same time call and give notice of a special meeting of the members thereon or, if it so determines, notify the members that the matter will be considered and acted upon at the ensuing annual member meeting, in either case, stating in detail each of any such proposals. The special or annual meeting shall be held not sooner than ninety (90) days after the giving of such notice thereof.
- 4) Any two hundred (200) or more members of the Cooperative may, over their respective signatures and within not less than forty-five (45) days prior to the date of such member meeting, petition the Cooperative to mail to all of the

Cooperative's members any statement of opposition to the Board's recommendation and/or of their own recommendation that a competing or alternative proposal, which may be or include a proposition to merge or consolidate the Cooperative with one or more other electric membership corporations, be submitted to and acted upon by the members at such meeting; in which event the Board shall cause a printed copy of the petition, including the printing of the names of the member signatories thereof, together with a printed copy of the statement, to be transmitted to all of the cooperative's members via the United States mail not less than twenty-five (25) day prior to such member meeting, with the cost of such printing and mailing to be borne by the cooperative. When so mailed, such petition and statement shall constitute sufficient notice of any such competing or alternative proposal for the same to be considered and acted upon at such meeting. The meeting shall first consider and act upon the recommendation(s) of the Board. If two or more alternative such recommendations have been made by the Board, they shall be considered and acted upon in the order specified by the Board. If the members fail to approve any proposal recommended by the Board, they shall then consider and act upon the competing, alternative proposal(s) which have, by petition, been submitted by the members, in the order in which they were received, if two or more such proposals have been submitted, or in the order of priority specified in a petition. The members may take such action on such proposal(s) as may be legally available to them.

- d) No offer of such a transaction, whether made to or by the Board, shall be valid or, if made and accepted, enforceable unless the total consideration to be paid or otherwise furnished therefore, to the extent

that the same is in excess of the amounts necessary to discharge or to provide for the discharge of all of the Cooperative's debts, obligations and liabilities, shall be distributed to or, if such be the case, allocated and assigned to the patrons or former patrons of the Cooperative in the manner provided for in the Articles of Incorporation, Bylaws or applicable law.

- e) Neither subsection (a) nor (b) of this Section 11.01 shall apply to a sale, exchange or transfer if such is in the nature of a forced sale for the reason that the purchaser possesses and otherwise would exercise a legal right to acquire, damage, relocate, remove or destroy such property and assets by condemnation or otherwise without the Cooperative's consent.

SECTION 11.02.

Distribution of Surplus Assets on Dissolution.

Upon the Cooperative's dissolution, any assets remaining after all liabilities or obligations of the Cooperative have been satisfied and discharged shall, to the extent practicable as determined by the Board and not inconsistently with the provisions of the third paragraph of Section 8.02 of these Bylaws, be distributed without priority but on a patronage basis among all persons who are or who have been members of the Cooperative for any period during its existence; PROVIDED, however, if in the judgment of the Board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation.

ARTICLE XII CALENDAR YEAR

SECTION 12.01.

Fiscal Year.

The Cooperative's fiscal year shall begin on the first day of the month of January of each year

and end on the last day of the month of December following.

ARTICLE XIII
RULES OF ORDER

SECTION 13.01.

Procedure.

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. This Article shall be subordinate to any other provision of these Bylaws pertaining to the votes required for action by members, directors or committees.

ARTICLE XIV
DISPUTE RESOLUTION

SECTION 14.01.

Dispute Resolution.

Any dispute between a member or a group of members and the Cooperative must be resolved by arbitration in accordance with the policy or policies adopted by the Board.

ARTICLE XV
AMENDMENT

SECTION 15.01.


Amendment.

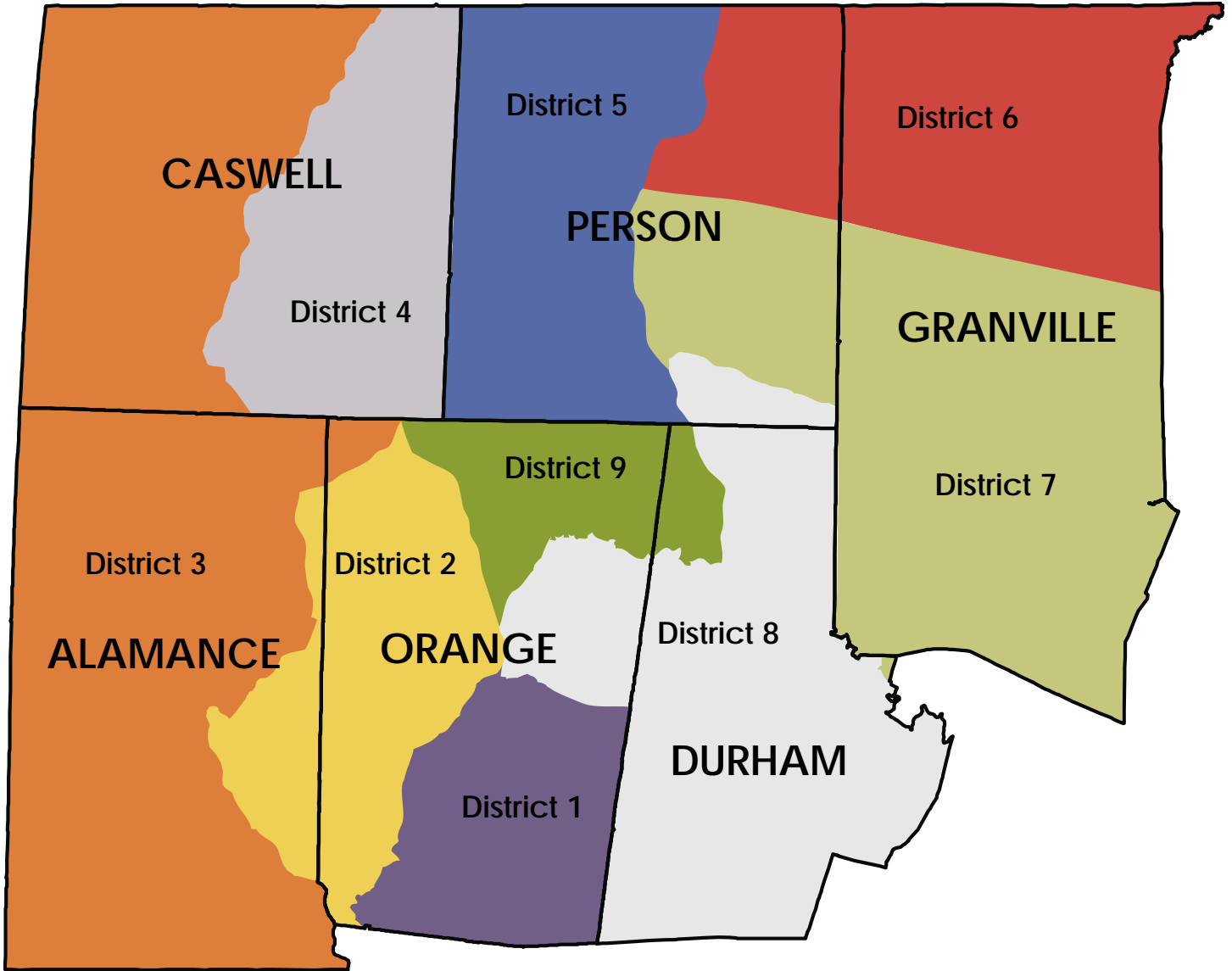
These bylaws may be altered, amended or repealed by the affirmative vote of not less than a majority of the total directors in office at any regular or special meeting, but only if the notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal, or an accurate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

THE REVISED BYLAWS FOR PIEDMONT ELECTRIC MEMBERSHIP CORPORATION
HILLSBOROUGH, NORTH CAROLINA; AMENDED AND REVISED, 9/1/1989; 11/17/2001; 8/17/2002; 10/19/2002; 7/18/2008; 5/1/2010; 2/19/2013; 1/22/18.



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Your Touchstone Energy® Cooperative 



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