

BYLAWS
OF
RUTHERFORD ELECTRIC
MEMBERSHIP CORPORATION
OF
FOREST CITY, NORTH CAROLINA
AS OF FEBUARY 25, 2021

**BYLAWS OF RUTHERFORD ELECTRIC MEMBERSHIP
CORPORATION**

Forest City, North Carolina

The aim of the RUTHERFORD ELECTRIC MEMBERSHIP CORPORATION (hereinafter called the "Corporation") is to make electric energy available to its members at the lowest cost consistent with sound economy and good management.

**ARTICLE 1
MEMBERS**

Section 1A. Qualifications and Obligations. Any natural person (which shall include an individual applying in his own name or in the name of a business wherein that person is the sole proprietor), association, corporation, business trust, partnership, federal or state agency, state or political subdivision or body politic (each hereafter referred to as "person", "applicant", "him" or "his") may become a member in the Corporation by:

- (a) paying the membership fee hereinafter specified;
- (b) agreeing to purchase from the Corporation electric energy as hereinafter specified; and
- (c) agreeing to comply with and be bound by the Articles of Incorporation of the Corporation and these Bylaws and any amendments thereto and such rules and regulation as may from time to time be adopted by the Board of Directors. No natural person, association, corporation, business trust, partnership, federal or state agency, state or political subdivision or body politic may own more than one (1) membership in the Corporation. Upon complying with the foregoing requirements, any applicant shall automatically be accepted into membership in, and become eligible to receive electric service from the Corporation, unless the Board of Directors shall determine that such applicant is not willing or is not able to satisfy and abide by the Corporation's terms and conditions of membership or that such application should be rejected for other good cause.

Section 1B. Joint Membership. A husband and wife may jointly become a member, and their application for a joint membership may be accepted in accordance with the foregoing provisions of this section provided the husband and wife comply jointly with the provisions of the above subdivisions (a), (b), and (c). The term "member" as used in these Bylaws shall be deemed to include a husband and wife holding a joint membership and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall have the effect of revoking a proxy executed by either or both and of constituting a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;

- (c) A proxy executed by either or both shall constitute one joint proxy;
- (d) A waiver of notice signed by either or both shall constitute a joint waiver;
- (e) Notice to either shall constitute notice to both;
- (f) Expulsion of either shall terminate the joint membership;
- (g) Withdrawal of either shall terminate the joint membership;
- (h) Either, but not both concurrently, may be elected or appointed as an officer. or director, but only if both meet the qualifications for such office.

Section 1C. Member defined. A “member” is the person entitled to exercise the vote for a “membership.” Each residential dwelling unit (house, condo, apartment, duplex, etc.) shall be treated as having a single membership regardless of the number of occupants in such unit and regardless of the number of service accounts held in such dwelling unit. Affiliated business entities shall be treated as having a single membership for the purposes of voting, regardless of the number of service locations or accounts such affiliated business entities holds with the Corporation. Affiliated business entities are all members of an affiliated group of business entities as defined by IRS or SEC regulations and all entities which share at least twenty per centum (20%) direct or indirect common ownership or voting control. Each membership shall have only one vote, regardless of the number of service locations or accounts such membership holds with the Corporation. In the event that there are multiple occupants of a dwelling unit, the person entitled to vote shall be the person whose name is designated on the account of the Corporation. In the event there are multiple accounts or multiple members designated, the person entitled to vote shall be the person whose name is designated on the oldest account of the Corporation or the person and in the event more than one person is designated on such account, the first person listed on the account. In the event of dispute or uncertainty, the General Manager of the Corporation shall determine a person’s qualification as a member for the purpose of this paragraph.

Section 2. Membership Fee. The membership fee for all those applicants becoming members on June 1, 1989 and thereafter shall be \$10.00, payment of which shall make the member eligible for one (1) service connection.

Section 3. Purchase of Electric Power and Energy. The corporation shall furnish its members with adequate and dependable electric service, and each member, as soon as electric energy shall be available, and for so long as such premises are owned or directly occupied or used by him, shall purchase from the Corporation all central station electric power and energy used on all premises to which electric service has been furnished by the Corporation pursuant to his membership, unless and except to the extent that the Board of Directors may in writing waive such requirement; and shall pay therefore at the times, and in accordance with the rules, regulations and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors, and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into. Each member shall also pay all other amounts owed by him to the Corporation as and when they become due and payable. All amounts paid for

electric service in excess of the cost thereof shall be furnished by members as capital and each member shall be credited with the capital so furnished as provided in Article VIII of the Bylaws.

Section 4. Non-liability for Debts of the Corporation. The private property of the members of the Corporation shall be exempt from execution for the debts of the Corporation and no member shall be individually liable or responsible for any debts or liabilities of the Corporation.

Section 5. Expulsion of Members. The Board of Directors of the Corporation may, by the affirmative vote of not less than two-thirds (2/3) of all the directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules or regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Secretary of the Corporation that such failure makes him liable to expulsion and such failure makes him liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any member receiving written notice from the Secretary of the Corporation of his liability of expulsion shall be granted a hearing by the Board of Directors upon receipt of written request by the Secretary of the Corporation. The Secretary of the Corporation shall notify such member five (5) days in advance of the time and place of hearing requested. Any expelled member may be reinstated by the affirmative vote of not less than two-thirds (2/3) of the Board of Directors or by vote of the members at any annual or special meeting. The action of the members with respect to any such reinstatement shall be final.

Section 6. Membership Termination by Withdrawal or Resignation. A member shall withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (1) ceasing to (or resigning his membership in favor of a new applicant who also shall) own or directly occupy or use all premises being furnished electric service pursuant to his membership, or (2) abandoning totally and permanently the use of central station electric service on such premises.

Section 7. Transfer and Termination of Membership.

(a) Membership in the Corporation and a certificate representing the same shall not be transferable, except as hereinafter otherwise provided, and upon the death, cessation of existence, expulsion or withdrawal of a member the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release the member from the debts and liabilities of such member to the Corporation.

(b) A membership may be transferred by a member to himself or herself and his or her spouse, as the case may be, jointly upon the written request of such member and compliance by such husband and wife jointly with the provisions of subdivisions (b) and (c) of Section 1A of this Article. Such transfer shall be made and recorded on the books of the Corporation and such joint membership shall be noted on the original certificate representing the membership so transferred.

(c) When a membership is held jointly by a husband and wife, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case

may be, and the joint membership certificate may be surrendered by the survivor, and upon the recording of such death on the books of the Corporation, the certificate may be reissued to and in the name of such survivor; provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Corporation.

(d) Upon the termination in any manner of a person's membership, he or his estate or legal representatives, as the case may be, shall be entitled to refund of his membership fee and of any service connection deposits or meter deposits paid by him, less any amounts due the Corporation; but neither he nor his estate or legal representatives, as the case may be, nor any former partner of a partnership member or his estate, as the case may be, shall be released from any debts or other obligations then remaining due the Corporation. Notwithstanding, the expulsion of a member, as provided for in Section 5, such expulsion shall not, unless the Board of Directors shall expressly so elect, constitute such release of such person from his membership obligations as to entitle him to receive from any other person any central station electric power and energy for use at the premises to which such service has theretofore been furnished by the Corporation pursuant to such membership.

Section 8. Removal of Directors. Any member may bring charges against a director by filing them in writing with the Secretary, together with a petition signed by ten per centum (10%) of the members, requesting the removal of the director in question. The removal shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The director against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the persons or person bringing the charge against him shall have the same opportunity.

ARTICLE II MEETINGS OF MEMBERS

Section 1. Annual Membership Meeting. The annual Membership Meeting shall be held during the month of October each year, at a designated location and/or meeting platform within a county served by the Cooperative, on the date designated by the Board of Directors of the Corporation in the notice of the meeting for the purpose of electing directors, receiving reports for the previous fiscal year and transacting such other business as may properly come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the Annual Membership Meeting at a designated location or on a virtual meeting platform as specified in the Notice of Meeting allowing for member voting and participation and provided further that the Board of Directors, is authorized to specify within the Notice of Meeting the details outlining voting processes which will be followed in the meeting format to ensure Membership participation. The Board of Directors is vested with the authority to make the appropriate adjustments regarding the meeting, agenda, and format, so as to ensure compliance with North Carolina statutory requirements, REMC's Articles of Incorporation, **Bylaws, and policy provisions member voting according to the standards of these Bylaws.** The Board of Directors has the authority and discretion to conduct the Annual Membership Meeting in person, virtually or any other format the Board of Directors deems appropriate. If the election of directors shall not be held on the day designated herein for any

Annual Membership Meeting, or at any adjournment thereof, the Board of Directors may cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. Failure to hold the Annual Membership Meeting shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings. Special meetings of the members may be called by at least five (5) directors or upon a written request signed by at least five per centum (5%) of all the members. It shall thereupon be the duty of the Board of Directors to call said meeting, set a record date (for the voting body), and designate a dedicated location and/or meeting platform, and the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at a designated location or meeting platform within Rutherford County, or any other county in which the Corporation operates, as shall be designated by the Board of Directors of the Corporation specified in the notice of the special meeting. The Board of Directors has the authority to hold the meeting in person, virtually or any other format the Board of Directors deems appropriate.

Section 3. Notice of Member Meetings. Written, printed and/or electronic notice of the place, hour, day and hour of the meeting, and/or the utilization of a virtual meeting platform, which includes notice as to how the membership vote will be conducted, and in the case of a special meeting or 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) days nor more than seventy (70) days before the date of the meeting, either personally, by mail or via electronic means in compliance with North Carolina law. Such notice shall be given 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 another Director in the case of an Annual Meeting whose time, place and date has actually been fixed by the Board of Directors. 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 Corporation's records, with sufficient postage thereon and receipted by the US Post Office at least fourteen (14) days before the meeting date. If sent via electronic means, such notice shall be deemed to be delivered at the time it is sent, provided the member has previously requested to receive notice in this manner. The incidental and unintended failure of the Cooperative to send or of a member to receive such notice shall not invalidate any action which may be taken by the members at any such meeting, and the participation of a member by attendance in person or by proxy of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to the beginning of the meeting of such member's objection.

Section 4. Quorum. Business may not be transacted at any meeting of the members unless there is registration in person, by proxy or having registered and voted in person at a designated location, or registration and/or voting in accordance with the notice of a virtual meeting platform by the members as permitted in the REMC Bylaws and policy, of at least one per centum (1%) of the total members. Votes cast for the election of Directors shall be valid at such time as a quorum is attained and certified by the Credentials and Election Committee. If less than a quorum is present at any meeting, a majority of those present in person may adjourn

the meeting to another time and date not less than twenty (20) days later and to any place within one of the counties in North Carolina in which the Corporation serves, 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 of Article II. 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 5. Voting.

(1) Each member who is not suspended or terminated shall be entitled to one vote and no more upon each matter submitted to a vote at any Member Meeting. The Member is responsible for ensuring that no unauthorized person votes on their behalf.

(2) Members who are not natural persons are responsible for ensuring that no unauthorized person votes on their behalf. A person entitled to cast the vote of such an entity, who is also a member, may vote on behalf of their own membership as well as that of the entity the member represents.

(3) All questions shall be decided by a majority of the votes cast in accordance with the standards established by the Board of Directors, except as otherwise provided by law or by the Cooperative's Certificate of Incorporation or these Bylaws. At any meeting of the members or any adjournment or postponement thereof, any member may vote by: registering, attending, voting, and submission of a ballot in a membership meeting in accordance with the Notice of Meeting forwarded to the Members prior to the meeting. In the event of voting by ballot, the matter shall be decided by the majority of votes cast by the voting deadline, as provided in the Notice of the Meeting, so long as the votes cast constitute at least one per centum (1%) of the members.

(4) In the event that fewer than one percent of the members vote, then the matter shall be tabled until the next meeting of the members at which a quorum is present and, subject to notice requirements, the matter shall be voted on again; the earlier votes shall not count and only the votes at such meeting shall be counted.

Section 5A. Elections. Except as provided in Section 5A(7), the Election of Directors shall be conducted by written or electronic ballot, which may include United States mail, email, or other methods of electronic voting (ballot) at the discretion of the Board of Directors. In order for a ballot to count, it must be (a) received by the Corporation on or before the time stated in the Notice of the Meeting as the deadline to submit a ballot; and (b) in the form supplied by the Corporation. Each member entitled to vote in the election of Directors shall be provided access to a ballot and notified of the date and time by which the Corporation must receive the completed Ballot.

(1) Members shall cast their vote for Directors using the appropriate ballots and transmitting the ballots in accordance with the standards established by the Board of Directors and as stated in the Notice of Meeting as the exclusive method of balloting.

(2) Ballots received prior to the deadline as stated in the Notice of Meeting shall count in determining whether a Member Quorum exists at the Member Meeting and for the

election of Directors. Ballots received after the deadline as stated in the Notice of Meeting are void for all purposes.

(3) Members may not change the vote of their first recorded ballot regardless of order of receipt.

(4) The Cooperative's inadvertent failure to send or a Member's failure to receive a ballot does not affect a vote or action taken by Ballot.

(5) A member may vote for all Director Districts, regardless of the District in which such member resides.

(6) Directors shall be elected by a plurality vote of the members. Drawing by lot shall resolve where necessary any tie of votes.

(7) Provided further, that in the absence of competing nominees, the chairman presiding at an in person Annual Membership Meeting, at his discretion, shall have the authority to provide proper procedure details not covered herein to the end that a fair and democratic vote may prevail at such annual meeting.

Section 5B. Credentials & Election Committee. It shall be the duty of the Board of Directors to appoint, at the March Board Meeting or at the next meeting opportunity of the Board, a Credentials and Election Committee consisting of an odd number of members who are natural persons, not less than five (5) nor more than nine (9) members for a one-year term, who are not existing Cooperative employees, agents, Officers, Directors or known candidates for Director, who are not close relatives thereof or members of the same household of Cooperative officers, existing Directors or known candidates for Director, and who, if an election of Directors is to be held are not members of the Nominating Committee for such meeting. In appointing the Committee, the Board of Directors shall have regard for equitable representation of the several districts served by the Cooperative. The Committee shall elect its own Chairperson, Vice Chairperson, and Secretary prior to the member meeting. It shall be the responsibility of the Committee to ensure an election of vote of the members of the Cooperative is conducted in accordance with these Bylaws or other (including but not limited to determining the validity of petitions of nomination or the qualifications of candidates by petition and the regularity of the nomination and election of Directors as well as overseeing the independent election administration vendor, if utilized), and to certify a quorum and the results of any vote. In the exercise of its responsibility, the Committee shall have available to it the advice of Counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed with the Cooperative, shall be in writing, and shall state the basis of such objection, during or within three (3) business days following the adjournment of the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairperson, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protester (s) or objector (s) who may be heard in person, by Counsel or both; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, which may be either to affirm or to change the results of the election or to set aside such election. The committee's decision (as reflected by a majority of

those actually present and voting) on all matters covered by this Section shall be final. The Committee may not act on any matter unless a majority of the Committee is present in person.

Notwithstanding the filing of a protest or objection concerning any election of Directors following a certification by this Committee of the results of an election, those Directors so elected shall be seated and take office as members of the Board of Directors at the next regular or special meeting of the Board of Directors; provide, however, in the event this Committee, after hearing and deliberation, sets aside the election and orders a new election or changes the results of the election affecting any Director(s), the newly elected Director(s) shall be removed from the Board of Directors pending a new election if such is the case, or replaced by the person newly certified by this Committee to be elected. If a new election is called, the incumbent Director(s) who held the seat prior to election shall continue to hold office until a new election is conducted and the results certified by this Committee.

Section 6. Proxies. At any meeting of the members or any adjournment thereof, any member, including members that are associations, corporations, business trusts, partnerships, federal or state agencies, state or political subdivisions or bodies politic, may vote by proxy, but only if such proxy (a) is registered with the Secretary or his duly designated registrar during business hours at the Corporation office located on the Hudlow Road in Forest City, North Carolina, or at such other place or places as designated by the Secretary, on or before the third business day next preceding the date of the meeting, (b) is executed by the member in writing and designates one and only one holder thereof, which holder shall be either an adult relative living in the member's own household, or another member who is a natural person, and (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than ninety (90) days prior to the date of such meeting or any adjournment thereof; PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself designated 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 will be valid or recognized. The presence in person of a member at a meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. A person may vote as proxy for an unlimited number of members on any matter the carrying of which, as provided by law of the State of North Carolina, requires the affirmative votes of a clear majority of all the Corporation's members; but no person shall vote as proxy for more than one (1) member on any other matter. Notwithstanding the foregoing provisions of this Section, whenever a member is absent from a meeting of the members but whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member could vote if present in person.

Section 7. Order of Business. The meeting shall be conducted in accordance with procedures adopted by the Board of Directors. The Order of Business at the annual meeting of the members, and so far as possible at all other meetings, shall be essentially as follows:

- (1) Report on the number of members present in person and by proxy in order to determine the existence of a quorum.
- (2) Reading of the notice of the meeting and proof of the due publication of mailing thereof, or 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, and acting upon, reports of officers, directors, and committees.
- (5) Election of directors.
- (6) Unfinished business.
- (7) New business.
- (8) Adjournment.

ARTICLE III DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed by a board of ten (10) directors which shall exercise all of the powers of the Corporation except such as are by law or by the Articles of Incorporation of the Corporation or by these Bylaws conferred upon or reserved to the members. The Board of Directors shall have all powers granted to it in N. C. Gen. Stat. §117-14 and other statutes, including the power to delegate to one or more of the directors or to the agents and employees of the Corporation such powers and duties as it may deem proper.

Section 2. Qualifications. Director eligibility shall be as follows: (1) No person shall be eligible to become or remain a director of the Corporation who is not a member of the Corporation and receiving service therefrom. When a membership is held jointly by a husband and wife, either one, but not both concurrently, may be elected a director, provided however, that neither one shall be eligible to become or remain a director or to hold a position of trust in the Corporation unless both shall meet the qualifications hereinafter set forth. (2) No member shall be eligible to become or remain a Director, or to hold any position of trust in the Corporation who is employed by, or has a financial interest in, an enterprise or business competing with REMC or with the primary business interests of its subsidiaries. For the purposes of this section, the term “financial interest in” shall not include an investment in a publicly traded company wherein the investment is less than two per centum (2%) of the outstanding issued shares. (3) A director must permanently reside in the directorate district from which the director is elected or chosen and must have received electric service at said primary residence in his/her personal

name for a period of twenty-four (24) months preceding the date of election and must continue to receive electric service at said primary residence during the duration of the term of service as a director. The requirement that a director shall receive service from the Cooperative at his/her primary residence, shall not apply to any director elected prior to the 2012 elections, nor shall it apply to his reelection thereafter. For the purposes of this section, “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 director 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 of which is, or could be, in compliance with the 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. (4) No person shall be eligible to become a director of the Corporation who is a former employee of the Corporation. (5) No person shall be eligible to become a director of the Corporation who is a Close Relative of a current or former employee of the Corporation. For the purposes of this section, Close Relative shall be defined as an individual, who by blood, law or marriage, is a spouse, child, grandchild, brother or sister of the current or former employee. (6) To be eligible to become a director a person must not have been convicted of, pled guilty to, or no contest, or its equivalent to a felony, or has pled guilty to a misdemeanor involving moral dishonesty pursuant to any state or federal laws. (7) To be eligible to become a director a person must have and sustain the Cooperative’s most favorable credit rating as defined in the Service Rules and Regulations.

All Director candidates, except candidates currently serving on the Board, whether nominated by the Nominating Committee or by petition shall complete a Director Candidate application packet including the execution of a release waiver for a complete background check and credit report check, by the date established in these Bylaws. It shall be the duty of the Nominating Committee, with the advice of General Counsel provided by the Cooperative, to determine if a Director Candidate considered by the Nominating Committee, meets the Bylaws qualifications of a Director Candidate.

It shall be the duty of the Credentials and Election Committee, with assistance of the Cooperative’s General Counsel to determine if a Director Candidate by petition, meets the Bylaws qualifications for a Director Candidate.

Upon the establishment of the fact that any person being considered for, or already holding, a position of trust in the Corporation lacks eligibility under this Section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause him to be removed therefrom, whichever be the case. Upon the establishment of the fact that a director is holding office in violation of this Section, it shall be the duty of the remaining directors on the Board to remove such director from office. Nothing in this Section contained shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors, unless such action is taken with respect to a matter which is affected by

the provisions of this Section and in which one or more of the directors have an interest adverse to that of the Corporation.

Section 3. Tenure. Directors shall be elected on a staggered basis so that not less than one third of them, or as nearly thereto as their division for that purpose will permit, shall be elected annually. Since there are currently 10 directors, the terms shall be staggered so that either 3 or 4 directors are elected annually, depending on the expiring terms. In order to inaugurate this plan of staggered terms, the term of one of the Directorate District One Directors for the election to be held in October 2016 shall be for a term of one year. At the next annual election for 2017, the term for the Board Member for that Directorate District which previously had the one-year term shall be for three years. The term of one of the Directorate District Two Directors for the election to be held in October 2016 shall be for a term of two years. At the annual election for 2018, the term for the Board Member for that Directorate District which previously had the two-year term shall be for three years. Except as previously provided, Directors shall be so nominated and elected that the same number of directors that corresponds with the number whose terms are expiring shall be elected to serve a term of three consecutive years. Upon their election, directors shall, subject to the provisions of these Bylaws with respect to the removal of directors, serve until the annual meeting of the members in the year in which their term expires or until their successors shall have been elected and qualified. If for any reason an election of directors cannot be held at an annual meeting of the members, duly fixed and called pursuant to Sections 1 and 3 of Article II of these Bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special meeting of the members.

Section 4. Directorate Districts. Directors shall be so nominated and elected that, the Board shall be comprised of five (5) directors from District One, which shall consist of Catawba County, Lincoln County, Gaston County and that part of Cleveland County which lies east of N.C. State Highway No.18; three (3) directors from District Two, which shall be composed of Burke County, Caldwell County, Mitchell County and McDowell County; and two (2) directors from District Three, which shall be composed of Polk County, Rutherford County, and that part of Cleveland County which lies west of N.C. State Highway No. 18.

Section 5. Nominations. It shall be the duty of the Board of Directors to appoint, not less than seventy (70) days nor more than one hundred ninety (190) days before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than seven (7) nor more than twelve (12) members, who are members of the Corporation but are not directors or close relatives of directors and who shall be selected from the different sections served by the Corporation so as to ensure equitable representation.

All Director Candidates, except candidates currently serving on the Board, wishing to be considered through the Nominating Committee process, shall complete and submit the Cooperative's formal Director Candidate application, regarding Bylaw qualifications, on or before the first day of business in July to the Corporation's General Manager or other designee. The committee shall prepare and post at the principal office of the Corporation at least forty (40) days before the meeting a list of nominations for directors to be elected, listing separately the nominee or nominees with respect to each Directorate District from which a director must, pursuant to this Article, be elected at the meeting. In addition, directors may be nominated by petition according to the following procedure: (a) the petition shall be the form prescribed by the

Board of Directors; (b) each nominee must have a separate petition and the petition shall contain the name and qualifications of the proposed nominee; (c) the nominee must meet the qualifications to be a director for a Directorate District which is subject to election in the upcoming election at the time the petition is signed; (d) the petition must be signed by no fewer than one per centum (1%) of the total members of the Corporation as of January 31 of such year; (e) all of the members signing the petition must be residents of the Directorate District for which the nomination is sought; (f) each signature must be dated on the date it is actually signed, and the signatures must be dated no more than 190 days before the date of a meeting of the members; (g) the petition must be received by the Corporation not less than fifty (50) days before the meeting. The Secretary shall review the petition within 10 days of its receipt by the Corporation. In the event that the Secretary determines that the petition satisfies all of the above requirements, the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. The Secretary shall mail to the members with notice of the meeting, or separately, but at least thirty (30) days prior to the meeting, a statement of the number of directors to be elected from each of the Directorate Districts, and the names and addresses of all nominees from each such District, showing separately those nominated by the committee and those nominated by petition, if any. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of directors.

Section 6. Vacancies. Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining directors. A director thus elected shall be a resident of the same Directorate District of which the director whose office he succeeds was a resident and shall serve out the unexpired term or until his successor shall have been elected and qualified.

Section 7. Allowance for Fixed Sum and 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 Corporation's established policies applicable to employees on authorized travel. No director shall receive compensation for serving the Corporation in any other capacity, nor shall any close relative of a director receive compensation for serving the Corporation, unless the payment and amount of compensation shall be specifically authorized by a vote of the members, or the service by such director or close relative shall have been certified by the Board of Directors as an emergency measure.

Section 8. Rules, Regulations, Rate Schedules and Contracts. The Board of Directors shall have power to make, adopt, amend, abolish, and promulgate such rules, regulations, rate schedules and contracts not inconsistent with law or the Corporation's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Corporation.

Section 9. Accounting System and Reports. The Board of Directors shall cause to be established a complete accounting system of the Corporation's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, and complete

independent audit of the Corporation's accounts, books and records, reflecting operations during, and financial conditions as of the end of such year. Such audit reports shall be available for inspection by the members.

ARTICLE IV MEETINGS OF DIRECTORS

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this By-law, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place within the County of Rutherford, or any county in which the Corporation operates, as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof. When any resolution is passed by the Board of Directors altering the time and place of the regular monthly meeting, the Secretary of the Corporation shall notify all board members in writing, quoting the resolution as it appears in the minutes of the meeting.

Section 2. Special Meetings. Special meetings of the Board of Directors may be called by the President or any five (5) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place (which shall be in any county in which the Corporation operates) for the holding of any special meeting of the Board of Directors called by them.

Section 3. Notice. Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written notice, delivered personally or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors provided that if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. Notice of the time and place of any adjourned meeting shall be mailed by the Secretary of the Corporation to all members of the Board of Directors of the Corporation.

Section 5. Manner of Acting. The act at a meeting of the directors, or a majority of all the directors in office, shall constitute the act of the Board of Directors.

ARTICLE V OFFICERS

Section 1. Number. The officers of the Corporation shall be a President, Vice President, Secretary, Treasurer, and such other officers as may be determined by the Board of

Directors from time to time. The offices of Secretary and of Treasurer may be held by the same person.

Section 2. Election and Term of Office. The officers shall be elected, by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following 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 officers.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby.

Section 4. Vacancies. Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. President. The President:

(a) shall be the principal executive officer of the Corporation and shall preside at all meetings of the members and of the Board of Directors;

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

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

Section 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 all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned by the Board of Directors.

Section 7. Secretary. The Secretary shall:

(a) Keep the minutes of the meetings of the members and the Board of Directors in one or more books provided for that purpose;

(b) See that all notices are duly given in accordance with these Bylaws or as required by law;

(c) be custodian of the Corporation records and of the Seal of the Corporation and see that the Seal of the Corporation is affixed to all certificates of membership prior to the

issue thereof and to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of the Bylaws;

(d) keep a register of the post office address of each member, which shall be furnished to the Secretary by such member;

(e) sign with the President, certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors;

(f) have general charge of the books of the Corporation in which a record of the members is kept;

(g) keep on file at all times a complete copy of the Corporation Bylaws containing all amendments thereto, which copy will always be open to the inspection of any member, and at the expense of the Corporation, forward a copy of the Bylaws and of all amendments thereto to each member; and

(h) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board of Directors.

By resolution of the Board of Directors, certain of the Secretary's day-to-day administration of specified duties and custodianship may be delegated to agents or employees, without, however, impairing the Secretary's continuing and primary responsibility and authority for such.

Section 8. Treasurer. The Treasurer shall:

(a) Have charge and custody of and be responsible for all funds and securities of the Corporation;

(b) receive and give receipts for money due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such bank or banks or other depositories as shall be selected in accordance with the provisions of these Bylaws; and

(c) In general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors.

By resolution of the Board of Directors, certain of the Treasurer's day-to-day administration of specified duties and custodianship may be delegated to agents or employees, without, however, impairing the Treasurer's continuing and primary responsibility and authority for such.

Section 9. Manager. The Board of Directors may appoint a manager who may be, but shall not be required to be, a member of the Corporation. The Manager shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to time vest in the Manager.

Section 10. Bonds of Officers. The Board of Directors shall require the Treasurer or any other officer of the Corporation charged with responsibility for the custody of any of its funds or property, to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Corporation to give bond in such amount and with such surety, as it shall determine.

Section 11. 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 by the members, as provided elsewhere in these Bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed by the Board of Directors.

Section 12. Reports. The officers of the Corporation shall submit, at each annual meeting of the members, reports covering the business of the Corporation for the previous fiscal year and showing the condition of the Corporation at the close of such fiscal year.

ARTICLE VI CONTRACTS, CHECKS AND DEPOSITS

Section 1. Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 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 Corporation shall be signed by such officer or officers, agent or agents, employee or employees of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 3. Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such bank or banks or other depositories as the Board of Directors may select.

Section 4. Subscription to CAROLINA COUNTRY. The Board of Directors shall be empowered and authorized, on behalf of and for circulation to the individual members of the Corporation, to subscribe to the CAROLINA COUNTRY. The yearly subscription rate per member for said magazine shall be paid for each member by the Corporation from any funds accruing in each member's favor, so as to reduce such funds in the same manner, as would any other expense of the Corporation.

ARTICLE VII MEMBERSHIP CERTIFICATES

Section 1. Certificates of Membership. Membership in the Corporation may be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with,

the Corporation's Certificate of Incorporation or Bylaws. Such certificate, if authorized to be issued by the Board of Directors, shall be signed by the President and by the Secretary and the Corporate Seal shall be affixed thereto or a facsimile thereof printed thereon.

Section 2. Issuance of Membership Certificates. No membership certificate shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid in cash, and such payment has been deposited with the Treasurer.

Section 3. Lost Certificates. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefore upon such terms and such indemnity to the Corporation as the Board of Directors may prescribe.

ARTICLE VIII NON-PROFIT OPERATION

Section 1. Interest or Dividends on Capital Prohibited. The Corporation 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 Corporation on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy, the Corporation's operations shall be so conducted that all patrons will through their patronage furnish capital for the Corporation. In order to induce patronage and to assure that the Corporation will operate on a non-profit basis, the Corporation 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 Corporation are received with the understanding that they are furnished by the patrons as capital. The Corporation 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 Corporation 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 Corporation 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 Corporation notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for himself the specific amount of capital so credited to him. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Corporation corresponding amounts for capital.

All other amounts received by the Corporation 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 a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Corporation, after all outstanding indebtedness of the Corporation 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 of Directors shall determine that the financial condition of the Corporation will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part, subject, however, to the following conditions:

(a) The Board of Directors shall determine the method, basis, priority, and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital. PROVIDED, HOWEVER, THAT the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("Power Supply or other service or supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Corporation by an organization furnishing power supply or any other service or supply to the Corporation. Such rules shall (1) establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year, (2) provide for separate identification on the Corporation's books of such portions of capital credited to the Corporation'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.

(b) Notwithstanding any other provision of these Bylaws, the Board of Directors, at its discretion, shall have the power at any time after the death of any patron or cessation of legal existence, if the legal representatives of the patron 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 of Directors, acting under policies of general application, and the patron's legal representatives shall agree upon: PROVIDED, HOWEVER, THAT the financial condition of the Corporation will not be impaired thereby.

(c) The Corporation, before retiring any such capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Corporation.

(d) Capital credited to the account of each patron shall be assignable only on the books of the Corporation 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 Corporation unless the Board of Directors, acting under policies of general application, shall determine otherwise.

The patrons of the Corporation, by dealing with the Corporation, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Corporation and each patron, and both the Corporation and the patron are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

ARTICLE IX WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by these Bylaws. The attendance of any member at any meeting shall constitute a waiver of notice of such meeting, except in case a member shall attend a meeting for the express purpose of objecting to the transacting of any business because the meeting shall not have been lawfully called or convened. In case of a joint membership a waiver of notice signed by either husband or wife shall be deemed a waiver of notice of such meeting by both joint members.

ARTICLE X DISPOSITION OF PROPERTY: DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

The Corporation 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, or which shall represent not in excess of ten per centum (10%) of the total value of the Corporation's assets, or which in the judgment of the Board of Directors are not necessary or useful in operating the Corporation) unless authorized to do so by the votes of at least a majority of its total membership and by the consent of the holders of seventy-five per centum (75%) in amount of the Corporation's outstanding bonds, except that the members of the Corporation may, by the affirmative majority of the votes cast in person or by proxy at any meeting of the members, delegate to the Board of Directors the power and authority (1) to borrow monies from any source and in such amounts as the board may from time to time determine and (2) to mortgage or otherwise pledge or encumber any or all of the Corporation's property or assets as security therefor. Upon the Corporation's dissolution, any assets remaining after all liabilities or obligations of the Corporation have been satisfied and discharged shall be distributed among all persons who shall have been members of the Corporation at any time during the fiscal year in which such dissolution is authorized by vote of the members or any of the ten (10) next preceding fiscal years, prorated to them on the basis that their respective patronage during all such years bears to the total receipts of the Corporation for all such years.

Notwithstanding the foregoing or any other provisions of these Bylaws, no sale or lease-sale of all or in excess of ten per centum (10%) of the Corporation's assets to any other entity shall be authorized except in conformity with the following:

(a) If the Board of Directors looks with favor upon any proposal for such sale or lease-sale, it shall first cause three (3) independent appraisers, expert in such matters, to render their individual opinions as to the value of the Corporation with respect to such a sale or lease-sale and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be designated by a Superior.

(b) If the Board of Directors, after receiving such appraisals (and any other terms and conditions which are recommended, if any), determines that the proposal should be submitted for consideration by the members, it shall first give every electric membership corporation nearby or adjacent to the Corporation (which has not made such an offer for such sale or lease-sale) an opportunity to submit competing proposals. Such opportunity shall be in

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

(c) If the Board of Directors then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members, expressing in detail each of any such proposals and shall call a special meeting of the members for consideration thereof, which meeting shall not be held sooner than ninety (90) days after the giving of such notice to the members; PROVIDED, that consideration thereof by the members may be given at the next annual member meeting if the Board of Directors so determines and if such annual meeting is not held sooner than ninety (90) days after the giving of such notice.

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

The provisions of this paragraph shall not apply to a sale or lease-sale to one or more other electric membership corporations if the substantive effect thereof is to merge or consolidate with such other one or more electric membership corporations.

ARTICLE XI FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of January of each year and end on the thirty-first day of December of the same year.

ARTICLE XII SEAL

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

ARTICLE XIII AMENDMENTS

These Bylaws may be altered, amended, or repealed by the affirmative vote of not less than a majority of the directors in office at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

ARTICLE XIV

All meetings of the Board of Directors and members of the Corporation shall be conducted and governed according procedures adopted by the Board of Directors.