

We the undersigned, incorporators of Blue Ridge Electric Membership Corporation, being natural persons and residents of the territory in which the principal operations of the corporation are to be conducted and desirous of using electric energy to be furnished by the corporation, and having been granted permission to form an electric membership corporation under and pursuant to Chapter 291, Public Laws 1935 of North Carolina, by order of the North Carolina Rural Electrification Authority, hereby execute this certificate of incorporation of said corporation, dated 19th day of August 1940.

1. NAME:

The name of the corporation shall be BLUE RIDGE ELECTRIC MEMBERSHIP CORPORATION.

2. TERRITORY:

The operations of the corporation shall be principally conducted in those parts of the county or counties of Caldwell, Watauga, Ashe, Alleghany, Avery, and Alexander Counties, State of North Carolina, which are not now served or which are inadequately served with electric energy, or which are now served by Caldwell Mutual Corporation.

3. PRINCIPAL OFFICE:

The location of the principal office of the corporation and the post office address thereof shall be Lenoir, North Carolina.

4. NUMBER OF DIRECTORS:

The number of directors shall be determined as provided in the Bylaws. This number shall not exceed fifteen (15) and shall not be less than seven (7).

5. DIRECTORS FOR FIRST YEAR:

The names and post office addresses of the directors who are to manage the affairs of the corporation for the first year of its existence or until their successors are chosen are:

NAME	POST OFFICE ADDRESS
A. G. Beach	Lenoir, NC
C. G. Collins	Sparta, NC
J. C. Goodman	West Jefferson, NC
Bert Mast	Mabel, NC
A. B. Hurt	Nathans Creek, NC
Van Miller	Laurel Springs, NC
D. R. Moore	Granite Falls, NC
Clarence Newton	Shulls Mills, NC
Clyde Perry	Sugar Grove, NC
G. Tom Perry	Piney Creek, NC
R. E. L. Plummer	Crumpler, NC
C. C. Poovey	Granite Falls, NC
G. B. Price	Clifton, NC
G. W. Sullivan	Yadkin Valley, NC
C. M. Watson	Deep Gap, NC

6. DURATION:

The duration of the corporation shall be perpetual.

7. MEMBERSHIP:

The terms and conditions upon which persons shall be admitted to membership in the corporation are as follows:

The undersigned incorporators and any person, firm, corporation, or body politic who or which is a member of Caldwell Mutual Corporation upon the date of the transfer to the corporation of the electric distribution lines and facilities of said mutual corporation shall be members of the corporation.

Any person, firm, corporation, or body politic may become a member in the corporation by:

- (1) paying the membership fee specified in the Bylaws;
- (2) agreeing to purchase from the corporation electric energy as specified in the Bylaws; and
- (3) agreeing to comply with and be bound by this certificate of incorporation and the Bylaws and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Directors, provided, however, that no person, firm, corporation or body politic shall become a member unless and until he or it has been accepted for membership by the Board of Directors or the members. 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 (1), (2), and (3). No person may own more than one membership in the corporation and each member shall be entitled to only one vote and no more on each matter submitted to a vote at a meeting of the members. If a husband and wife hold a joint membership they shall jointly be entitled to one vote and no more on each matter submitted to a vote at a meeting of the members.

8. PURPOSES:

The purposes of the corporation shall be to render service to its members and to promote and encourage the fullest possible use of electric energy in rural sections of the state of North Carolina by making electric energy available to the inhabitants of the state at the lowest cost consistent with sound economy and prudent management of the business of the corporation, and shall include all purposes required and authorized by the Electric Membership Corporation Act of the State of North Carolina, including amendments thereto subsequent to the date hereto. All of the operations of the corporation shall be on a cooperative basis not for pecuniary profit, and for the use and benefit of its members.

9. POWERS:

The corporation shall possess and be authorized to exercise and enjoy all of the powers, rights, and privileges granted to or conferred upon corporations of the character of the corporation by the laws of the State of North Carolina now or hereafter in force. WITNESS our hands and seals this 19th day of August 1940.

G. B. Price

A. B. Hurt

J. C. Goodman
D. R. Moore
R. E. L. Plummer

CERTIFICATE OF AMENDMENT OF CHARTER OF BLUE RIDGE ELECTRIC MEMBERSHIP CORPORATION

G. W. Sullivan and A. G. Beach, being duly elected and qualified president and secretary-treasurer, respectively, of Blue Ridge Electric Membership Corporation, pursuant to Chapter 291, Public Laws of 1935 of North Carolina, having been duly authorized so to do, hereby certify:

- (a) That the name of the corporation is Blue Ridge Electric Membership Corporation (hereinafter referred to as the "corporation");
- (b) That the Certificate of Incorporation of the Corporation was filed in the office of the Secretary of State of North Carolina on the 19th day of August 1940, and copy thereof certified as a true and correct copy under the hand and seal of the Secretary of State was filed in the Offices of the Clerk of the Superior Courts of Caldwell, Watauga, Ashe, Alleghany, Alexander, and Avery counties, of North Carolina on the 23rd day of August 1940; on the 23rd day of August 1940; on the 23rd day of August 1940; on the 23rd day of August 1940; on the 23rd day of August 1940; and on the 23rd day of August 1940; respectively.
- (c) That the members at a duly convened meeting held on July 19, 1941 adopted by a vote of more than a majority of all members of the corporation the following resolution:

RESOLVED by the members of the Corporation that paragraph 2 of the Certificate of Incorporation of the Corporation, which reads as follows:

(2) Territory: The operations of the corporation shall be principally conducted in those parts of the county or counties of Caldwell, Watauga, Ashe, Alleghany, Avery, and Alexander counties, State of North Carolina, which are not now served or which are inadequately served with electric energy, or which are now served by Caldwell Mutual Corporation be and the same hereby is, amended to read as follows:

(2) Territory: The operations of the corporation shall be principally conducted in those parts of the county or counties of Caldwell, Watauga, Ashe, Alleghany, Avery, Alexander, Surry, and Wilkes counties, State of North Carolina, which are not now served or which are inadequately served with electric energy, or which are now served by Blue Ridge Electric Membership Corporation.

RESOLVED that the President and Secretary be, and they hereby are, authorized to execute and file a certificate of amendment and to take all steps and to do all things necessary and proper to effectuate the above and foregoing amendment to the Certificate of Incorporation of the Corporation.

G. W. Sullivan, President of Blue Ridge Electric Membership Corporation

A. G. Beach, Secretary-Treasurer of Blue Ridge Electric Membership Corporation

AFFIDAVIT

NORTH CAROLINA, CALDWELL COUNTY:

G. W. Sullivan and A. G. Beach, being duly sworn according to law depose and say that they are the duly elected and qualified President and Secretary respectively of Blue Ridge Electric Membership Corporation (hereinafter called the "Corporation"), a Corporation organized and existing under Chapter 291, Public Laws of 1935 of North Carolina; that a special meeting of the members of the Corporation was held on July 19, 1941 pursuant to notice duly given to all members in accordance with the provisions of the Bylaws of said Corporation; that at said meeting more than a majority of all the members of the Corporation were present and acted throughout; and that at said meeting the members so present adopted the resolutions set forth in the foregoing Certificate of Amendment, amending the Certificate of Incorporation as therein set forth, and duly authorized the affiants to execute and file such Certificate of Amendment and to take all steps and to do all things necessary to effectuate such amendment to the Certificate of Incorporation of the Corporation by the votes cast in person and by proxy, by more than a majority of all the members of the Corporation entitled to vote.

WITNESS our hands and seals this 19th day of July 1941.

G. W. Sullivan, President

A. G. Beach, Secretary-Treasurer

BYLAWS

ARTICLE I

MEMBERSHIP

SECTION 1.01

Eligibility & Requirements for Membership.

Any person, firm, association, corporation or body politic or subdivision thereof may become a member of the Blue Ridge Electric Membership Corporation (hereinafter called the "Cooperative") by complying with all of the following:

- (a) Providing all information required by the Cooperative's membership application; and
- (b) Agreeing to purchase from the Cooperative electric energy as herein specified; and
- (c) Agreeing to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any Service Rules and Regulations adopted by the Board of Directors; and
- (d) No membership fee shall be required. No member may hold more than one membership in the Cooperative and no membership or the privileges of that membership shall be transferable, except as provided in these Bylaws; and
- (e) Having an active service connection within the service area of the Cooperative.
- (f) An application for membership may be provided to the Cooperative by electronic means consistent with the North Carolina Uniform Electronic Transactions Act.

SECTION 1.02

Evidence of Membership.

Membership in the Cooperative may be evidenced by having an active service

connection.

SECTION 1.03

Joint Membership; Conversion of Membership.

Any two natural persons may apply for a joint membership and, subject to their compliance with the requirements set forth in SECTION 1.01 of this Article, may be accepted for such membership. The term "joint member" as used in these Bylaws shall be defined as two natural persons holding a joint membership and any provisions 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. Joint Membership:

1. The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
2. The vote of either separately or both jointly shall constitute one joint vote;
3. A waiver of notice signed by either or both shall constitute a joint waiver;
4. Withdrawal of either shall terminate the membership;
5. Either but not both may be elected to serve as a Director of the Cooperative, provided that Director qualifications are met.
6. Neither will be permitted to have any additional service connections except through their one joint membership.

b. Conversion of Membership:

1. A membership may be converted to a joint membership upon the written request of the holder thereof, and the agreement of both parties to comply with Bylaws and Service Rules and Regulations adopted by the Board of Directors.
2. The death, expulsion or withdrawal of either shall terminate the joint membership and the survivor shall continue as a single member; provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.
3. A joint membership terminated may be converted to a single membership if either natural person corrects the default in eligibility and makes application therefore in the manner established by the Bylaws and policies of the Cooperative.

SECTION 1.04

Membership & Service Connection Fees.

Upon application for membership a member shall be entitled to one (1) membership and shall be eligible to receive electric service after the payment of any required deposits, charges and fees. Any required deposit, charges and fees as established by policy of this Cooperative shall be paid by said member for each additional electrical connection.

SECTION 1.05

Purchase of Electric Energy.

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative electric energy used on the premises specified in the member's application for membership, and shall pay at rates and schedules which shall from time to time be fixed by the Board of Directors with respect to the purchase and supply of electric energy. Each member and the Cooperative shall be bound by the following:

- (a) The Cooperative shall exercise 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; the Board of Directors may limit the amount of demand or energy which the Cooperative shall be required to furnish its members.

- (b) Each member shall pay to the Cooperative a minimum amount per established billing schedule (Basic Facilities Charge) which shall be established by the Board of Directors regardless of the amount of electric energy consumed.
- (c) Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities and metering of electric energy and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from any hostile source for meter reading, inspection, maintenance, replacement, relocation, or repair thereof at all reasonable times.
- (d) As a part of the consideration for membership and service, each member shall be the Cooperative's bailee of such facilities, and shall accordingly desist from interfering with, impairing the operation of, or causing damage to the facilities of the Cooperative; and, the member's best efforts shall be used to prevent others from doing so. In the event such facilities are interfered with, impaired in their operation, or damaged by the member, or by any other person, when the member's reasonable care and surveillance could have prevented such, the member shall indemnify the Cooperative and, any other person against death, injury, loss or damage resulting therefrom, including, but not limited to, the Cooperative's cost of repairing, replacing, or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment.
- (e) It is understood and agreed that the Cooperative is merely a supplier of electric service, and the Cooperative will not be responsible for any damage or injury to the buildings, motors, apparatus or other property of the member due to lightning, defects in wiring or other electrical installations, defective equipment or other cause not due to the negligence of the Cooperative. The Cooperative will not be in any way responsible for the transmission, use or control of the electric service beyond the delivery point except as may be provided in specific programs contracted between the member and the Cooperative.
- (f) Production or use of electric energy on the premises of a member, regardless of the source thereof, shall be subject to appropriate regulations as affixed from time to time by the Cooperative.
- (g) Each member shall cause all premises receiving electric service pursuant to his membership to become and remain wired in accordance with the specifications of the National Electric Safety Code, any applicable state code or local government ordinances and policies and regulations of the Cooperative.

SECTION 1.06

Excess Payments to be Credited as Member-Furnished Capital.

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

SECTION 1.07

Member to Grant Easement to Cooperative.

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

SECTION 1.08

Member Redress.

A member who has an individual grievance or concern that is not resolved to his satisfaction at the local district Cooperative office, after allowing a reasonable time for investigation, advice and action, may appeal to the Chief Executive Officer for redress. If he is still not satisfied, after allowing a reasonable time for the Chief Executive Officer to act, he may make a written request to the President of the Board of Directors who will arrange for the member to be heard by the Board of Directors at their next regular meeting, or as soon thereafter as may be conveniently arranged.

SECTION 1.09

Termination of Membership.

Any member may withdraw from the membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. Additionally, the Board of Directors of the Cooperative, may by a majority vote at any regular or special meeting of the Board of Directors, expel any member who has failed to comply with any of the provisions of the Articles of Incorporation, Bylaws or Service Rules and Regulations adopted by the Board of Directors, after notice to the member and due hearing before the Board of Directors if such hearing is requested by him. Any expelled member may be reinstated by a majority vote of the Board of Directors. Upon withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall terminate. A membership will be terminated if electric service has been discontinued. A member whose membership is terminated in any manner shall be entitled to a refund of any refundable fees or deposits paid to the Cooperative, less any amounts due the Cooperative. Termination in any manner shall not release a member from any debts or obligations due the Cooperative by the member.

SECTION 1.10

Suspension, Reinstatement.

Notwithstanding the foregoing in Section 1.09, the Board of Directors, by a majority vote, may suspend any member who has failed to comply with any provisions of the Articles of Incorporation, Bylaws or Service Rules and Regulations adopted by the Board of Directors without first terminating their membership. A member in suspension shall not be entitled to participate in any vote of the membership. A member who has ceased any noncompliance with his membership obligations may be reinstated by the Board of Directors, by a majority vote, and thereafter shall be entitled to participate in a vote of the membership if reinstated.

SECTION 1.11

Non-Liability for Debts of Cooperative.

The private property of the members of the Cooperative, except such unrefunded

capital credits as may have been assigned to the members on the books of the Cooperative, shall be exempt for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

SECTION 1.12

Participation in Cooperative Load Management Programs, if Required.

Each member shall participate in any required program and comply with any related rate(s) and Service Rules and Regulations that may be established by the Cooperative to enhance load management more efficiently, to utilize or to conserve electric energy, or to conduct load research.

ARTICLE II

MEETINGS OF MEMBERS

SECTION 2.01

Annual Meeting.

The Annual Meeting of the members shall be held during the month of June of each year, at such place within a county served by the Cooperative, on such date and beginning at such hour as fixed by the Board of Directors for the purpose of electing board members, receiving reports for the previous fiscal year, and transacting such other business as may properly come before the meeting. The record date (for the voting body) shall be set by the Board of Directors. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the Annual Meeting. Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2.02

Special Meetings.

Except as provided in Section 3.08, a meeting of the members may be called by resolution of the Board of Directors or upon written request signed by a majority of all of the Directors then in office or by at least ten per centum (10%) of the members. 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. It shall then be the duty of the Board of Directors to call said meeting, set a record date (for the voting body), and designate time and place and the duty of the Secretary to see that notice of such meeting is given as hereinafter provided in Section 2.03. This meeting shall be held in one of the counties indicated in Section 2.01, on a date, not sooner than forty (40) days after the call for such meeting is made or a petition therefore is filed.

SECTION 2.03

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 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 any other Director in the case of an Annual Meeting whose time, place and date have 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 Cooperative'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 or agreed to receive notice in this manner. 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 attendance shall be for the express purpose of objecting to the transaction of any business on the ground that the meeting shall not have been lawfully called or convened.

SECTION 2.04

Quorum.

Registration in person, by proxy or by the return of ballots or proxies, as permitted in these Bylaws of at least 400 members of the Cooperative shall be required for the transaction of business at any meeting of the 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 a quorum is not achieved at any meeting, a majority of those present in person may adjourn the meeting to another time and date at least twenty (20) days later and to any place within one of the counties named in Section 2.01; 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 2.03. At all meetings of the members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes a list of those who were present in person and by proxy.

SECTION 2.05

Voting.

- (a) Each member who is not in a status of suspension, as provided for in Section 1.10, shall be entitled to only one vote upon each matter submitted to a vote of the members. In conjunction with any vote by the members, the Cooperative may require satisfactory evidence from the person presenting a ballot or proxy of the entitlement to vote. All questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Certificate of Incorporation or these Bylaws. The President of the Cooperative who is presiding or, if for any reason he be not presiding, any member of the Cooperative who is presiding shall be entitled to vote in any election or in any other vote taken. Members may not cumulate votes or collect ballots or proxies from other members.
- (b) At any meeting of the members or any adjournment or postponement thereof, any member may vote by: (i) attending such meeting and completing a ballot while the polls are officially open for voting; (ii) mailing a properly executed proxy to the Cooperative or its designee at the address specified in such proxy, provided that such proxy is received no later than the date specified in the proxy; or (iii) submitting a properly executed electronic proxy, via the internet, to the Cooperative or its designee at the web address specified in such proxy, provided such proxy is

received no later than the date specified in the proxy. Any member may revoke his vote by submitting a properly executed and timely returned proxy or a written ballot while the polls are open at such meeting. Merely attending the meeting in person will not in and of itself revoke a previously submitted proxy or require the member to complete a new ballot.

SECTION 2.06

Proxies.

Each member who properly executes and returns proxy by mail or internet, in accordance with Section 2.05(b)(ii) or (iii) of these Bylaws shall, by executing the written proxy, appoint three (3) Directors who are not standing for election at the meeting, or any of them, with full power to act alone, the true and lawful attorneys in fact and proxies of such member (the "Director Proxies"), to cast all votes as directed by the member at the meeting and at any adjournment or postponement thereof, with all powers the member would possess if personally present. If the proxy is duly executed and timely returned, but does not specify how to vote, or expressly authorizes the Director Proxies to vote in their discretion on the member's behalf, the Director Proxies will vote on behalf of the member in their discretion. If any other business is properly brought before the meeting, the Director Proxies will act on behalf of the member in their discretion.

Any proxy valid at any membership meeting shall be valid at any adjournment or postponement thereof unless the proxy itself specifies otherwise or subsequently is revoked by another proxy or ballot. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restrictions shall be deemed to be unlimited.

In the event a member executes two or more proxies or ballots for the same meeting or any adjournment thereof, the most recently dated proxy or ballot shall revoke all others; if such proxies or ballots carry the same date (and time) and are held by different persons, none of them will be valid or recognized.

Whenever a member is absent from a meeting of the members but the member's spouse residing in the same household as the member attends the meeting, such person shall be deemed to hold, and may exercise and vote, the vote of such member to the same extent that such member could vote if present in person.

A member who is a natural person may vote by the use of a "Power of Attorney" when such Power of Attorney is a General Power of Attorney and is presented to the Secretary or his duly designated registrar before or at the time of the meeting, when such Power of Attorney has been duly filed and recorded in the public record and when the contents of said "Power of Attorney" comply with those provisions of the North Carolina General Statutes relevant to such Powers of Attorney. The holder of a Power of Attorney shall be deemed to be carrying a proxy of the grantor of that Power of Attorney. Such holder of a Power of Attorney shall not be entitled to vote as proxy for any other member.

No employee of the Cooperative shall be eligible to be designated to hold, carry or vote the proxy or ballot of another member.

No person may carry or vote a proxy except as specifically authorized in these Bylaws.

SECTION 2.07

Credentials & Election Committee.

It shall be the duty of the Board of Directors to appoint, at the October Board meeting or at the next meeting opportunity of the Board, a Credentials and Election Committee consisting of an odd number of members, not less than five (5) nor more than nine (9) 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 (as defined in Section 3.14) 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 any election or 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; provided, 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 2.08

Agenda & Order of Business.

The agenda and order of business at the Annual Meeting of the members and insofar as possible, at all other meetings of the members, 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 mailing thereof, or of the waiver or waivers of notice of the meeting, as the case may be.
- (3) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (4) Election of Directors.
- (5) Presentation and consideration of reports of Officers and committees.
- (6) Unfinished business.
- (7) New business.
- (8) Adjournment.

Notwithstanding the foregoing, the Board of Directors may from time to time establish a different agenda or order 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.

SECTION 2.09

Rules for the Conduct of the Annual Meeting.

The Board of Directors shall establish the rules for the conduct of the Annual Meeting of the members and provide the rules to the Credentials and Election Committee prior to each Annual Meeting.

ARTICLE III

DIRECTORS

SECTION 3.01

General Powers.

The business and affairs of the Cooperative shall be managed by a Board of twelve (12) Directors, which number shall include a Director-at-Large, as defined herein, and 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 3.02

Qualifications.

In order to be eligible to become or remain a Director of the Cooperative, such person must meet the following qualifications:

- a) must be a citizen of the United States,
- b) must be at least twenty-one (21) years of age,
- c) must be receiving electric service from the Cooperative at his primary residence which shall be for qualification purposes where a member is registered to vote and spends most of his time,

- d) must not have had a membership that has been in a state of suspension as defined in Section 1.10,
- e) electric service must not have been involuntarily disconnected for nonpayment at any time during the twelve months preceding the candidate application,
- f) must not have been involved at any time in meter tampering reported to law enforcement,
- g) must be legally competent and available to attend regular Board meetings, committee meetings, training and other events. Directors who miss more than two consecutive regular Board meetings may be subject to removal action by the Board. It shall be the duty of the Board to develop additional policy guidelines on attendance requirements,
- h) must not in any way be employed by, financially interested in, or serving as an officer, director, trustee or equivalent for a competing enterprise with the Cooperative or its subsidiaries, or a business that sells products or supplies to the Cooperative or its subsidiaries,
- i) must not have a close relative (as hereinafter defined) living within the household who is in any way employed by, financially interested in, or serving as an officer, director, trustee, or equivalent for a competing enterprise with the Cooperative or its subsidiaries, or a business that sells products or supplies to the Cooperative or its subsidiaries.
- j) must not have been convicted of a misdemeanor involving moral turpitude or a felony pursuant to state or federal laws, or
- k) must not have been a former employee whose termination date is less than six (6) years following the date of his last employment with the Cooperative.

Only an African American, Native American, Asian, or Hispanic member of the Cooperative shall be eligible for election to the position of Director-at-Large.

All Director candidates, whether nominated by the Nominating Committee or by petition, shall complete a Director Candidate application by the date established in these Bylaws. It shall be the duty of the Nominating Committee, with the assistance and advice of the Cooperative's General Counsel, 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.

Notwithstanding the foregoing, if 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 of Directors to withhold such position from such person, or to cause him to be removed therefrom, as the case may be.

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 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 Cooperative.

SECTION 3.03

Election.

At each Annual Meeting of the members, Directors shall be elected by a vote of the members. Only natural persons who are members shall be eligible to be elected and serve as a Director of the Cooperative.

Directors shall be elected by a plurality vote of members and certified by the Credentials and Election Committee. Drawing by lot shall resolve, where necessary, any tie votes.

SECTION 3.04

Tenure.

Except as provided in Section 3.06, all Directors shall be elected for a three-year term to correspond with the number of Directors whose terms expire; provided, that the terms of no two or more Directorate District Directors, from any Directorate District A, B, C, or D shall coincide.

Upon their election, Directors shall, subject to the provisions of these Bylaws with respect to the removal of Directors, serve until the Annual Meeting of the members of the year in which their term expires and until their successors shall have been elected and shall have qualified. If for any reason an election of Directors shall not be held at an Annual Meeting of the members duly fixed and called pursuant to these Bylaws, such election may be held at an adjournment of such meeting, or at a subsequently held special meeting, or at the next Annual Meeting of the members. Failure to hold an election for a given year shall allow the incumbents whose Directorships would have been voted on to hold over only until the next member meeting at which a quorum is present.

SECTION 3.05

Directorate Districts.

Directors shall be so nominated and elected that the number of Directors who shall be residents of each of the four (4) Directorate districts into which the Cooperative's service area is divided, and described by maps on the inside cover of these bylaws, and such districts shall be as follows:

Directorate District A (Caldwell – includes Caldwell and parts of Alexander and Wilkes Counties), three (3) Directors; Directorate District B (Watauga – includes Watauga and parts of Avery, Caldwell, and Wilkes Counties), three (3) Directors; Directorate District C (Ashe – includes Ashe County and parts of Wilkes County), three (3) Directors; and Directorate District D (Alleghany – includes Alleghany County and parts of Wilkes County), two (2) Directors. The Director-at-Large may be a resident of any of the four Directorate Districts.

SECTION 3.06

Nominations.

It shall be the duty of the Board of Directors to appoint, at the October Board meeting or at the next meeting opportunity of the Board, a Nominating Committee, consisting of not less than seven (7) and not more than eleven (11) persons who are members of the Cooperative, but are not existing Cooperative employees, agents, Officers, Directors or close relatives thereof or known candidates to become Directors, and who are so selected that each of the Cooperative's Directorate Districts shall have representation thereon in proportion to the number of Directors who must be residents thereof,

including one member representing the membership at large who must be of the minority membership group as defined in Section 3.02 of these Bylaws.

All Director Candidates wishing to be considered through the Nominating Committee process, shall complete and submit the Cooperative's formal Director Candidate application, regarding Bylaws qualifications, on or before the first business day in March.

The Nominating Committee may include one or more nominees for each Director to be elected with respect to any particular Directorate District, and for a Director-at-Large, if applicable, as it deems desirable.

The Nominating Committee Chairperson or designee shall communicate to the Board of Directors all individuals nominated as candidates by the Nominating Committee to be voted on by the membership. The Chairperson responsible may delegate the formal communication, to any potential nominees who submitted a formal application but were not nominated, to the Cooperative's Senior Vice President and Chief Administrative Officer or other designee.

The Nominating Committee shall prepare and post at the principal office of the Cooperative at least thirty (30) days prior to the Annual Meeting a list of nominations for Directors to be elected, listing separately the nominee or nominees for each office of Director expiring on the day of the Annual Meeting and, if such be the case, the nominee(s) for Director-at-Large.

Any fifteen (15) or more members of the Cooperative, acting together, may make additional nomination(s) in writing over their signatures, listing their nominee(s) in like manner, on or before the first business day in April. Director Candidates nominated by such petition shall complete a Director Candidate application on or before the first business day in April. If the Credentials and Election Committee verifies the petition and that the Director Candidate meets Bylaws qualifications for a Director Candidate, then the Secretary shall post such nominations at the same place where the list of nominations made by the Nominating Committee is posted. Any such list of nominations 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.

The Secretary shall mail or submit by electronic means to the members with the notice of the meeting, or separately, but at least thirty (30) days prior to the date of the Annual Meeting, a proxy with the names of the nominee(s), from each District and, if applicable, for the Director-at-Large position, showing separately those nominated by the Nominating Committee and those nominated by petition and determined qualified by the Credentials and Election Committee, if any.

If there is only one nominee for Director in any Directorate District or Director-at-Large and that person dies or withdraws prior to the Annual Meeting of the members, the Board of Directors shall appoint a Director as soon as practicable from the same Directorate District where the vacancy occurred, or for the Director-at-Large from any of the four Directorate Districts. This Director shall serve until the Annual Meeting in the following year. Nominations and election of a Director for this seat shall then serve a

two (2) year term of office. Following such two (2) year term, a Director elected for this seat shall serve a three (3) year term in office.

SECTION 3.07

Voting for Directors.

From the qualified Director Candidates nominated by either Nominating Committee or by Petition, each member shall be entitled to vote for one Director Candidate for each seat from each Directorate District from which a Director must be elected and for one Director-at-Large Candidate, if applicable, except in the event of a Director election for a two-year term as defined in Section 3.06. Any ballot or proxy marked in violation of the foregoing shall be invalid.

SECTION 3.08

Removal of Directors.

Any member may bring one or more charges for cause against any one or more Directors and may request the removal of such Director(s) by reason thereof, by filing with the Secretary such charges in writing together with a petition signed by not less than ten per centum (10%) of the total members of the Cooperative, which petition calls for a meeting thereon. The petition shall be signed by each member in the same name as he is billed by the Cooperative and shall state the signatories' address as it appears on such billings. Any Director whose name appears on said petition for the removal of such Director shall be informed by the Cooperative in writing of the charges and be mailed a copy of the petition within seven (7) days after the filing of said petition with the Secretary. The Board of Directors, or the Chief Executive Officer in the event that the entire Board of Directors is charged, shall set the time and date and place of a meeting of the membership for the purpose of considering the petition and charges not less than forty (40) days after the filing of such petition and not more than one hundred and twenty (120) days after the filing of such petition. Notice to the membership shall contain a statement of the charges verbatim, and the names of Directors against whom the charges have been made. Such notice shall be mailed to each member not fewer than ten (10) days, nor more than ninety (90) days prior to the member meeting at which the matter will be acted upon as prescribed by North Carolina law.

Any Director charged in a petition for removal shall have the opportunity at the meeting of the membership to be heard in person or by Counsel, and to present evidence in respect to the charges; and the person or persons bringing the charges against such Director(s), separately for each, if more than one has been charged, shall have the same opportunity, and shall be heard first.

The question of the removal of a Director shall not be voted upon at all unless some evidence in support of the charge against any Director shall have been presented during the meeting through oral statements, documents or otherwise. The chairman of the meeting shall be appointed by the Board of Directors and shall determine whether the evidence presented is sufficient to submit the issue of removal to the membership. Upon a determination of sufficiency of evidence, the chairman shall submit the question of removal to the membership for vote. In the event one or more Director(s) is removed by the majority present at hearing, the Board of Directors shall call for an election to fill any vacancies created by removal within six (6) months of such removal; unless the

next Annual Meeting of the membership is scheduled within six (6) months and more than sixty (60) days from the creation of a vacancy by removal, then any vacancy shall be filled by election at the next Annual Meeting. Candidates to fill a vacancy created by removal shall be nominated as provided in Section 3.06 and shall serve the balance of the term of the Director so removed.

A newly elected Director, except a Director-at-Large, shall be from the same Directorate District as the Director whose office he succeeds.

If all the members of the Board of Directors are removed at such membership meeting assembled to consider a petition for removal, the membership shall elect an interim Board of Directors to serve until an election can be held to fill any vacancies created by removal as provided in this section. Such interim Board members shall be nominated from the floor and shall be from the Directorate District as the Director whose office he succeeds.

If any person already holding a Directorship or other position of trust in the Cooperative lacks eligibility under Section 3.02, 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, as the case may be.

SECTION 3.09

Vacancies.

Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Directors by the members or by the Board as provided in Sections 3.02 and 3.08, or a vacancy occurring as a result of the outcome of an election in 3.03 in the Board of Directors, the vacancy 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, unless a Director-at-Large vacancy is being filled, and shall serve the entire balance of the term of the Director whose office he succeeds.

SECTION 3.10

Compensation, Expenses, Indemnification.

For their services as Director, Directors shall be compensated by policies established and approved by the Board of Directors. For the performance of their duties, Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses reasonably incurred in accordance with the Cooperative's established policies. A Director is not and shall not be an employee of the Cooperative entitled to compensation beyond that provided in policy. The Cooperative shall indemnify Directors and Officers, including the Chief Executive Officer, and other Corporate Officers against liability to the extent that their acts or omissions constituting the grounds for alleged liability are or were, if actionable at all, based upon good faith business judgments in the belief the acts or omissions were not against the best interests of the Cooperative; and the Cooperative may purchase insurance to cover such indemnification.

SECTION 3.11

Rules, Regulations, Rate Schedules & Contracts.

The Board of Directors shall have the power to make, adopt, amend, abolish and

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

SECTION 3.12

Accounting System & Reports.

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

SECTION 3.13

Distribution of the Cooperative's Member Newsletter and Other Member Information Publications.

For the purpose of disseminating information about the operations and plans of the Cooperative, the Board of Directors shall be empowered to circulate to the members the Cooperative's newsletter and any other informational publications by mail or electronic means, the cost of which shall be paid from the operating funds of the Cooperative.

SECTION 3.14

Close Relative Defined.

As used in these Bylaws, "close relative" means a person who, by blood or in-law or conjugal relationship, including step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece of the principal.

ARTICLE IV

MEETINGS OF DIRECTORS

SECTION 4.01

Regular Meetings.

A regular meeting of the Board of Directors shall be held, without notice, immediately after the adjournment of the Annual Meeting of the members, or as soon thereafter as conveniently may be at such site as designated by the Board of Directors in advance of the Annual Meeting. A regular meeting of the Board of Directors constitutes required attendance and shall also be held monthly at such date, time and place in Caldwell County, North Carolina, or in any other county in which the Cooperative operates, as the Board of Directors shall provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice; provided, that any Director absent from any meeting of the Board of Directors at which such a resolution initially determines or makes any change in the date, time or place of a

regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board of Directors, and provided further that, if established as policy by the Board of Directors, the President may change the date, time or place of a regular monthly meeting for good cause and upon at least five (5) days notice thereof to all Directors.

SECTION 4.02

Special Meetings.

Special meetings of the Board of Directors may be called by Board resolution, by the President 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 4.03. The Board of Directors, the President or the Directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties served by the Cooperative unless all Directors consent to its being held in some other place in North Carolina or elsewhere. Special meetings, upon proper notice as otherwise provided herein, may also be held via telephone conference call, without regard to the actual location of the Directors at the time of such telephone conference meeting, if all the Directors consent thereto.

SECTION 4.03

Notice of Directors' Meetings.

Written, printed, or electronic notice of the date, time, place or telephone conference call and purpose or purposes of any special meeting of the Board of Directors and, when the business to be transacted thereat shall require such, of any regular meeting of the Board of Directors shall be delivered to each Director not less than five (5) days prior thereto, 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 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 any meeting whose date, time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Director at his address as it appears on the records of the Cooperative, with first-class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. If sent via electronic means, such notice shall be deemed to be delivered at the time it is sent, provided the Director has previously requested or agreed to receive notice in this manner. The attendance of a Director at any meeting of the Board of Directors shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

SECTION 4.04

Quorum.

The presence of a majority of the Directors in office shall constitute a quorum and shall be required for the transaction of business. The affirmative votes of a majority of the Directors present shall be required for any affirmative 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 V OFFICERS

SECTION 5.01

Number & Title.

The Officers of the Cooperative shall be a President, Vice President, Secretary-Treasurer, Assistant Secretary-Treasurer, Chief Executive Officer, and such other Officers as may from time to time be determined by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person. The Chief Executive Officer shall not be a member of the Board of Directors.

SECTION 5.02

Election & Term of Office.

Board Officers listed in Section 5.01, with the exception of the Chief Executive Officer and other such Officers, shall be elected by secret ballot, annually and without prior nomination, by and from the Board of Directors at the first regular meeting of the Board of Directors held after each Annual Meeting of the members. If the election of such Officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such Officer shall hold office until the regular meeting of the Board of Directors first held after the next succeeding Annual Meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of Directors by the members and to the removal of Officers by the Board of Directors. Any other Officers may be elected or appointed by the Board of Directors from among such persons, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

SECTION 5.03

Removal.

Any Officer, agent, or employee 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 Cooperative will thereby be served.

SECTION 5.04

Vacancies.

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

SECTION 5.05

President.

The President shall:

- (a) be the principal Officer of the Cooperative and shall preside at all meetings of the Board of Directors, and, unless determined otherwise by the Board of Directors, at all meetings of the members;

- (b) sign, with the Secretary, certificate 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 Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general, 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 5.06

Vice President.

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

SECTION 5.07

Secretary.

The Secretary shall:

- (a) keep, or cause to be kept, the minutes of meetings of the members and of 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 Corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all documents the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these Bylaws or is required by law;
- (d) keep, or cause to be kept, a register of the name and post office address of each member, which address shall be furnished to the Cooperative by such member;
- (e) 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 Certificate of Incorporation and Bylaws, together with all amendments thereto, which copies shall always be open to the inspection of any member, and, at the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto upon request to any member; and
- (g) in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 5.08

Treasurer.

The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for moneys due and payable to the Cooperative from any source whatsoever, and deposit or invest all such moneys in the name of the

Cooperative in such bank or banks or securities as shall be selected in accordance with the provisions of these Bylaws; and
(c) in general perform all the duties incident to the office of the Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 5.09

Assistant Secretary-Treasurer

In the event that the Secretary-Treasurer is unable to fulfill his assigned responsibilities, the Assistant Secretary-Treasurer shall perform all duties incident to the office of Secretary-Treasurer (as described in Sections 5.07 and 5.08), and such other duties as may be prescribed by the Board of Directors.

SECTION 5.10

Delegation of Secretary's & Treasurer's Responsibilities.

Notwithstanding the duties, responsibilities, and authorities of the Secretary and of the Treasurer herein before provided in Sections 5.07 and 5.08, the Board of Directors 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' duties to one or more agents or other Officers of the Cooperative who are not Director. To the extent that the Board of Directors does so delegate with respect to either such Officer, that Officer as such shall be released from such duties, responsibilities, and authorities.

SECTION 5.11

Chief Executive Officer & Executive Vice President.

The Board of Directors shall elect or appoint a Chief Executive Officer who shall serve as General Manager who may be, but shall not be required to be, a member of the Cooperative, and who shall not be a Director. The Chief Executive Officer shall perform such duties as the Board of Directors may from time to time require of him and have such authority as the Board of Directors may from time to time vest in him.

The Chief Executive Officer shall also be elected or appointed by the Board to hold the corporate office of Executive Vice President and be vested with the powers to commit and bind the Corporation to contracts and other obligations as the Vice President of the Corporation may do; and shall perform such other duties as from time to time may be assigned to him by the Board of Directors as Executive Vice President.

SECTION 5.12

Bonds.

The Board of Directors shall require the Treasurer and any other Officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to 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 Cooperative to give bond in such amount and with such surety as it shall determine. The cost of all such bonds shall be borne by the Cooperative.

SECTION 5.13

Compensation, Indemnification.

The compensation, if any, of any Officer who is also a Director or agent shall be determined as provided in Section 3.10 of these Bylaws, and the powers, duties, and compensation of any other Officers, agents, and employees may be fixed by the Board of Directors or delegated to the Chief Executive Officer with Board oversight and approval, except that the compensation of the Chief Executive Officer is fixed by the Board of Directors. The Cooperative may indemnify the Directors, Officers, employees and agents, including former employees and agents as well as former Directors and Officers, against liability to the extent that their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and, if actionable at all, were based upon good faith business judgments in the belief the acts or omissions were in the best interest of the Cooperative or were not against the best interest of the Cooperative; and the Cooperative may purchase insurance to cover such indemnification or to cover any other liability incurred by the Directors, Officers, employees, and agents, including former employees and agents as well as former Directors and Officers, acting in their capacity as such, to the extent permitted by law.

SECTION 5.14

Reports.

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

ARTICLE VI

CONTRACTS, CHECKS, & DEPOSITS

SECTION 6.01

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 Cooperative, and such authority may be general or confined to specific instances.

SECTION 6.02

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 and/or countersigned by such Officer or 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 of Directors.

SECTION 6.03

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 of Directors may authorize.

ARTICLE VII

NONPROFIT OPERATION

SECTION 7.01

Interest on Capital Prohibited.

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

SECTION 7.02

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 nonprofit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

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

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 Cooperative by an organization furnishing electric service 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.

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 prorated basis before any payments are made on account of property rights of members; provided, that insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during that period insofar as is practicable, as determined by the Board of Directors, 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 Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part in cash or such other property as the Board of Directors may determine.

Notwithstanding any other provisions of these Bylaws, the Board of Directors shall determine the method of allocation, basis, priority, and order of retirement, if any, for all amounts furnished as patronage capital.

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 of Directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions of these Bylaws, the Board of Directors shall, at its discretion, have the power at any time upon the death of any patron, who was a natural person, (or, if as so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a patron, which assignee was a natural person) if the legal representatives of his estate shall request in writing that the capital credited to such patron be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire such capital immediately upon such terms and conditions as the Board of Directors, 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 impaired thereby.

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

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the 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 7.03

Patronage Refunds in Connection with Furnishing Other Services.

In the event that the Cooperative, or any subsidiary thereof or business entity in which the Cooperative owns an interest, should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom shall be retained by the Cooperative in amounts not in excess of the reasonable needs of the Cooperative, allocated to the Cooperative's patrons or invested by the Cooperative as its Board of Directors may determine from time to time.

SECTION 7.04

Interest in Separate Business Entities.

The Cooperative may, by action of its Board of Directors, form, organize, acquire, hold, dispose of, and operate any interest in a separate business entity to the fullest extent permitted by, and in accordance with, the law as in effect from time to time, including without limitation as provided by and in accordance with N.C.G.S. 117-18.1 as it may be subsequently amended or by any successor statute.

ARTICLE VIII

WAIVER OF NOTICE

SECTION 8.01

Waiver of Notice.

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

ARTICLE IX

DISPOSITION & PLEDGING OF PROPERTY: Merger or Consolidation; Distribution of Surplus Assets on Dissolution

SECTION 9.01

Disposition & Pledging of Property.

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, or which shall represent not in excess of ten per centum (10%) of the total value of the Cooperative's assets, or which in the judgment of the Board of Directors are not necessary or useful in operating the Cooperative) unless authorized so to do by the votes cast in person or by proxy by at least two-thirds of its total membership and by the consent of the holders of seventy-five per centum (75%) in amount of the Cooperative's then outstanding bonds. Notwithstanding the foregoing provisions, 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 of Directors the power and authority (i) to borrow money from any source and in such amounts as the Board of Directors may from time to time determine, (ii) to mortgage or otherwise pledge or encumber any or all of the Cooperative's property or assets as security therefor, and (iii) to sell and lease back any of the Cooperative's property or assets.

In any member vote regarding approval of a matter described in Section 9.01, any member who is not in a status of suspension may cast his, her, or its vote by mail-in ballot to the fullest extent permitted by law.

SECTION 9.02

Merger or Consolidation.

Any favorable consideration by the Board of Directors to merge or consolidate the Cooperative with any other electric membership corporation shall be submitted to the membership for consideration thereof, and the Board of Directors shall call a special meeting of the members for such purpose; provided, that consideration thereof by the members may be given at the next Annual Member Meeting if the Board of Directors so determines it appropriate. Approval by the membership shall be based on at least two-thirds favorable vote of those members present at said meeting.

SECTION 9.03

Distribution of Surplus Assets on Dissolution.

The Cooperative may be dissolved as provided for by law. 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 of Directors and not inconsistently with the provisions of the third paragraph of Section 7.02 of these Bylaws, be distributed without priority among all persons who are or who have been members of the Cooperative for any period during its existence, on the basis that their respective patronage during such periods bears to the total receipts of the Cooperative since its inception; provided, however, that, if in the judgment of the Board of Directors the amount of such surplus is too small to justify the expense of making such distribution, the Board of Directors 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 X

FISCAL YEAR

SECTION 10.01

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 XI

RULES OF ORDER

SECTION 11.01

Rules of Order.

Parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws, and of any other committee of the members or Board of Directors which may from time to time be duly established, shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Certificate of Incorporation or Bylaws.

ARTICLE XII

SEAL

SECTION 12.01

Seal.

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

ARTICLE XIII AREA COVERAGE

SECTION 13.01

Area Coverage.

The Board of Directors shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service, and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

ARTICLE XIV AMENDMENTS

SECTION 14.01

Amendments.

These Bylaws may be altered, amended, or repealed by resolution adopted by the Board of Directors at any regular or special Board of Directors 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. A copy of such alterations or amendments or repeal shall be sent by mail or by electronic means to each member of the Cooperative after any such shall have been adopted by the Board of Directors.

ARTICLE XV CONSTRUCTION

SECTION 15.01

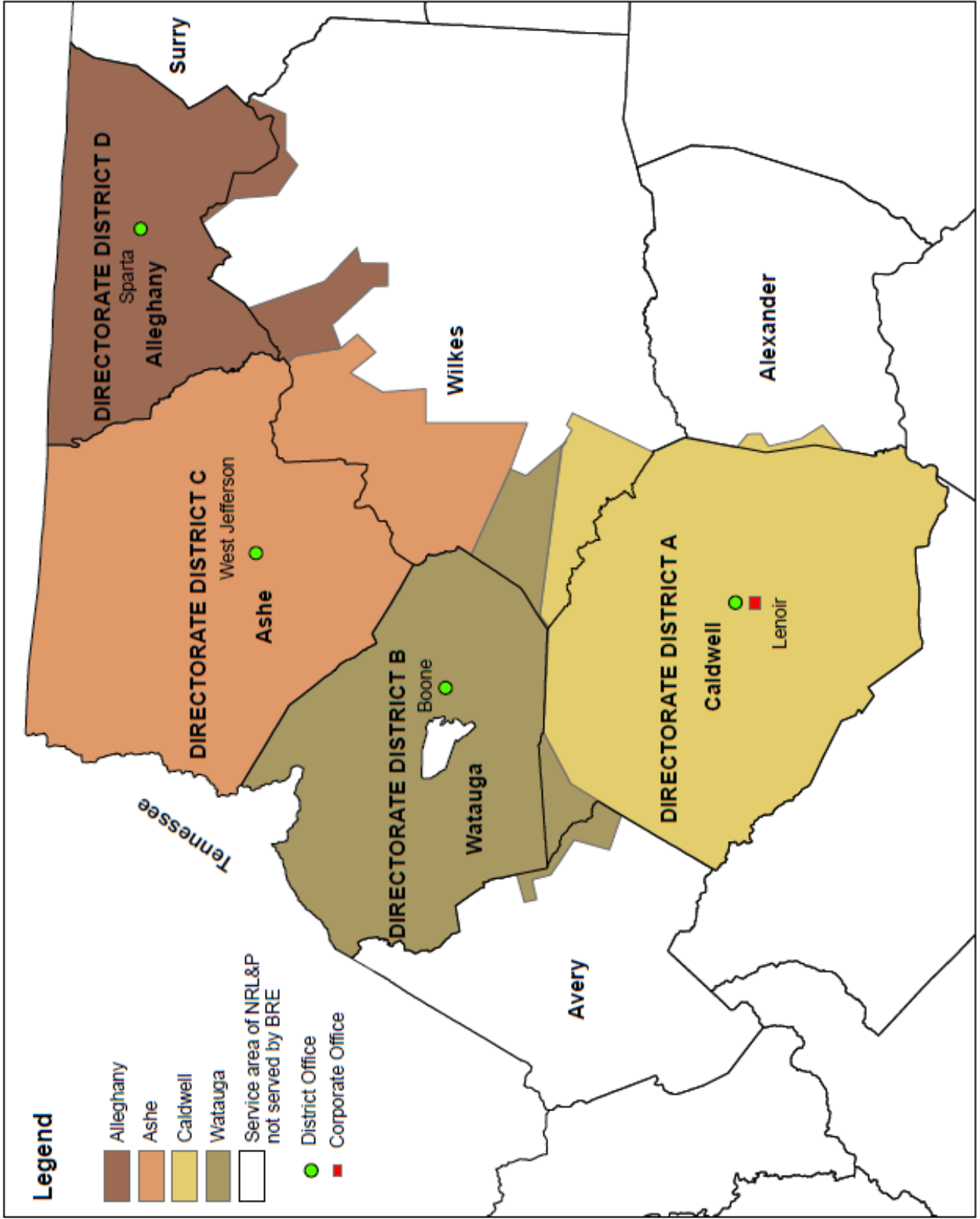
Construction.

Feminine or neuter pronouns shall be substituted for those masculine form or vice versa, and the plural shall be substituted for the single number or vice versa in any place or places in which the context may require such substitution in these Bylaws.

Date Adopted: January 18, 1964

Last Date Revised: September 22, 2011

Blue Ridge Electric Membership Corporation reserves the right to modify, rewrite, or amend the Bylaws of the Cooperative as deemed necessary by the Board of Directors.



Note: Parts of Caldwell County are not served by BRE. Caldwell residents served by Duke Energy or the Town of Granite Falls are not considered part of the Caldwell Directorate District.