

Bylaws



“We Exist to Serve Our Members”

Adopted by the Board of Directors on June 24, 2021

Recent Changes to SVEC's Bylaws

Bylaws are the internal rules under which a cooperative such as SVEC operates. They tell who can be a member and the rights and duties of members, and they set out the logistics for the annual business meeting of members. The Bylaws also cover the election process for the Board of Directors, how the Board members govern and how the President and CEO operates the Cooperative. Another key item addressed in the Bylaws is the manner in which capital credits are handled.

The Board modifies the Bylaws as the need arises. When these changes are made throughout the year, they are usually implemented immediately. Traditionally, the changes are reported to members at the next annual meeting when members vote to ratify them as part of the order of business.

A copy of the amended Bylaws is posted on the Cooperative's website for registered members to review prior to the 2021 annual business meeting. This copy will show all the changes made since the 2020 annual business meeting. Approval of the Bylaw changes will be an item of business on the agenda. A hard copy can be mailed at the request of a member who is registered for the event. Text stricken out (~~like this~~) has been deleted and text underlined has been added.

ARTICLE I **Membership**

Section 1. Requirements for Membership. Any natural person, firm, association, corporation, cooperative, limited liability company, business trust, partnership, or body politic or subdivision thereof (collectively, "Person") will become a Member of Shenandoah Valley Electric Cooperative (hereinafter called the "Cooperative"), provided that the Person has:

(a) Accepted electric distribution service from the Cooperative, and either:

i) Made an application for membership therein, or was an electric power customer of The Potomac Edison Company on May 31, 2010 in the territory described in Paragraph 2(d) of an Order of the Virginia State Corporation Commission dated May 14, 2010 in Case No. PUE-2009-00101 or in any other territory acquired by the Cooperative after May 31, 2010; or

ii) Agreed to purchase electric distribution service from the Cooperative as evidenced by a written agreement; and

(b) Paid the membership fee hereinafter specified, except for customers of The Potomac Edison Company on May 31, 2010, for whom the fee was paid by the Cooperative.

The acceptance by a Person of electric distribution service from the Cooperative shall constitute such Person's agreement to comply with, and be bound by, the Articles of Incorporation and Bylaws of the Cooperative, Terms and Conditions for Providing Electric Distribution Service as adopted by the Board of Directors and relevant rules or regulations promulgated by appropriate regulatory agencies.

No membership in the Cooperative shall be transferable, except as provided in these Bylaws. No Person may hold more than one membership in the Cooperative. The Cooperative may refuse any Person membership in the Cooperative for cause.

Section 2. Membership Certificates. Membership in the Cooperative shall be evidenced by a membership certificate, which shall be in such form and shall contain such provisions as determined by the Board of Directors. Such certificates shall be signed by the Chair and by the Secretary of the Cooperative and such signatures may be facsimile. 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 case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefor upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe.

Section 3. Joint Membership. Two or more Persons may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "Member" as used in these Bylaws shall be deemed to include two or more 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) The presence in person or by remote communication at a meeting of either or both joint Members, or the use by either or both of a legally sufficient electronically transmitted ballot or unrevoked proxy appointment, shall be regarded as the presence of one Member and shall constitute a joint waiver of notice of the meeting;

(b) The vote of either separately or both jointly shall constitute one joint vote;

(c) A waiver of notice signed by either or both shall constitute a joint waiver;

(d) Notice to either or both shall constitute notice to both;

(e) Expulsion or withdrawal of either or both shall terminate the joint membership;

(f) Cancellation of the membership of either or both shall terminate the joint membership;

(g) Either, but not both, may be elected or appointed as a member of the Board of Directors;

(h) The signature of one or both on a nominating petition shall be deemed a single Member signature.

Section 4. Conversion of Membership.

(a) A Membership may be converted to a joint membership upon written request of the holder thereof and the agreement by the Persons who wish to become joint Members to comply with the Articles of Incorporation, Bylaws, Terms and Conditions for Providing Electric Distribution Service as adopted by the Board of Directors and relevant rules and regulations promulgated by appropriate regulatory agencies. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.

(b) Upon the death or the withdrawal, expulsion or cancellation of the membership of a Person who is a party to the joint membership, such membership shall remain a joint membership if more than one Person remains. If only one Person remains, the membership shall become an individual membership. However, the estate of the deceased shall not be released from any debts due the Cooperative.

(c) The Cooperative may rely upon the oral or written representation of a joint Member that another joint Member of a joint membership has withdrawn from membership or died.

Section 5. Change of Membership to Remaining Joint Member. Upon the death of a Member or the withdrawal of a joint Member, the membership may be changed to the name of the remaining Member(s), without further payment of a membership fee, provided, however, that the estate of the deceased joint Member or the withdrawing joint Member, as applicable, shall not be released from any debts due the Cooperative.

Section 6. Membership Fees. The membership fee shall be five dollars (\$5.00) for the initial service connection, upon the payment of which a Member shall be eligible for the initial service connection. A Member may contract for additional service connections by paying a non-refundable connection fee for each additional service connection as provided by the terms and conditions of providing electric distribution service in effect at the time of such additional service connection.

Section 7. Members to Grant Easements. Members shall, without charge to the Cooperative, unless the Board of Directors shall otherwise determine in particular instances, grant easements over land owned by them for the distribution lines of the Cooperative.

Section 8. Indemnification. Each Member shall indemnify the Cooperative for, and hold the Cooperative harmless from, any expenses, costs, liabilities, or damages, including reasonable attorneys' fees and legal expenses, incurred by the Cooperative, or by any Cooperative Director, officer, employee,

agent, representative, or contractor, because of any property damage, personal injury, or death resulting from the Member's negligence or failure to comply with these Bylaws, Terms and Conditions for Providing Electric Distribution Service, or any rules or regulations adopted by the Board of Directors.

Section 9. Purchase of Electric Distribution Service. As required by law, each Member shall purchase electric distribution service provided by the Cooperative for use on the premises specified in the application for service or for which the Member was acquiring service from The Potomac Edison Company on May 31, 2010, and shall pay therefor at rates that shall be fixed by the Board of Directors and/or the appropriate regulatory agency. It is expressly understood that amounts paid for electric distribution service in excess of operating costs and expenses properly chargeable against the furnishing of such electric distribution service are contributed by Member patrons as capital and each Member patron shall be credited with the capital so contributed as provided in these Bylaws. Each Member patron shall also pay all amounts owed by him or her to the Cooperative as and when the same shall become due and payable.

Section 10. Member Newsletter. The Board of Directors shall be empowered and authorized, on behalf of, and for circulation to the Members of the Cooperative, to subscribe to the regular publication of the Virginia, Maryland and Delaware Association of Electric Cooperatives, and there shall be paid from the general funds of the Cooperative, in the same manner as any other expense thereof, an amount set by the Board of Directors for each such subscription.

Section 11. Transfer of Membership. Membership in the Cooperative and the certificate representing the same shall not be transferable, except as provided in these Bylaws.

Section 12. Termination of Membership.

(a) Any Member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe.

(b) The Board of Directors, by affirmative vote of not less than two-thirds of all members of the Board of Directors, may expel any Member who fails to comply with all of the provisions of the Articles of Incorporation, Bylaws, Terms and Conditions for Providing Electric Distribution Service, or relevant rules and regulations adopted by the Board of Directors. Any expelled Member may be reinstated by vote of not less than two-thirds of all the

members of the Board of Directors or vote of the Members at any annual or special meeting.

(c) The membership of a Member who for a period of six (6) continuous months has ceased to purchase electric distribution service from the Cooperative shall be canceled.

(d) Upon the withdrawal, death, cessation of existence, cancellation or expulsion of a Member, the membership of such Member shall thereupon terminate, and the membership certificate of such Member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a Member or his or her estate from any debts due the Cooperative.

(e) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the Member the amount of membership fee paid by him or her; provided, however, that the Cooperative shall deduct from the amount of the membership fee, the amount of any debts or obligations owed by the Member to the Cooperative.

ARTICLE II

Rights, Duties and Liabilities of Member Patrons

Section 1. Property Interest of Member Patrons. Upon dissolution, after:

(a) All debts and liabilities of the Cooperative have been paid, and

(b) All capital contributed through patronage shall have been retired as provided in these Bylaws,

The remaining property and assets of the Cooperative shall be distributed among the Member patrons and former Member patrons, including Members and non-members, in the proportion of each Member patron and former Member patron's patronage to that of the aggregate patronage of all Member patrons during the fifteen years next preceding the date of the filing of the certificate of dissolution.

Section 2. Non-liability for Debts of the Cooperative. The private property of the Member patrons or former Member patrons shall be exempt from execution or other liability for the debts of the Cooperative and no Member patron or former Member patron shall be liable or responsible for any debts or liabilities of the Cooperative.

Section 3. Bylaws as Contract. The Member 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 Member patron and both the Cooperative and each Member patron are bound by such contract, as fully as though each Member patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the Bylaws shall be called to the attention of each Member patron of the Cooperative by continuous posting in a conspicuous place in the Cooperative's offices.

ARTICLE III **Meeting of Members**

Section 1. Annual Meeting. The annual meeting of the Members shall be held during one of the months of May, June, July or August of each year at either such place within a city or county, or a city adjacent to such county, served by the Cooperative, as selected by the Board of Directors, or by remote participation instead of at a place, as determined by the Board of Directors, for the purpose of electing members of the Board of Directors, receiving reports for the previous fiscal year and transacting such other business as may come before the meeting. The date and hour of the meeting, and the meeting place and/or information regarding remote participation, shall be provided in the notice of the meeting. 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, or affect any action taken by the Cooperative.

Section 2. Special Meetings. Special meetings of the Members may be called by resolution of the Board of Directors, or upon a written request signed by at least two-thirds (2/3) of the Board Members, or by ten percent (10%) or more of all the Members, and it shall thereupon be 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 either at any place within a city or county, or a city adjacent to such county, served by the Cooperative, as determined by the Board of Directors, or by remote participation instead of at a place, as determined by the Board of Directors.

Section 3. Participation in Meetings. Members may participate in any meeting of Members by means of remote communication to the extent the Board of Directors authorizes such participation for Members. Participation by means of remote communication shall be subject to such guidelines and procedures the Board of Directors adopts. Members participating in a Members meeting

by means of remote communication shall be deemed present and may vote at such a meeting. The Board of Directors shall implement reasonable measures to verify that each person participating remotely is a Member or a Member's proxy, and provide such Members a reasonable opportunity to participate in the meeting and to vote on matters submitted to the Members, including an opportunity to read or hear the proceedings of the meeting, substantially concurrently with such proceedings.

Section 4. Notice of Members' Meetings. Written notice stating the place and/or information regarding remote participation, the day and hour of the meeting, and in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered to each Member by mail, or electronically if authorized by law, not less than ten (10) days nor more than sixty (60) days before the date of the meeting, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Persons calling the meeting. Such written notice of a Members' meeting to act on an amendment to the Articles of Incorporation, a plan of merger, or a proposed sale of assets other than in the course of regular business shall be delivered not less than twenty-five (25) days nor more than sixty (60) days before the date of the meeting. Any such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member at his or her address as it appears on the records of the Cooperative, with postage thereon prepaid. The record date for determining the Members entitled to receive notice of a Members' meeting and vote in connection with such meeting shall be the date that is seventy (70) days before the date of the annual Members' meeting. The failure of any Member to receive notice of an annual or special meeting of the Members shall not invalidate any action that may be taken by the Members at any such meeting. The Cooperative shall notify Members of a Members' meeting adjourned to another date unless the adjourned date is within sixty (60) days of the original date and the new date, time and location is announced at the Members' meeting prior to adjournment

Section 4. Quorum. Two and one-half per centum (2-1/2%) of the total number of Members present in person or participating remotely, voting in Board member elections by an electronically transmitted ballot, or represented by proxy shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time, without further notice if the adjourned date is within sixty (60) days of the original date and the new date, time, and location and/or information regarding remote participation is announced at the Members' meeting prior to adjournment. A list of the membership

present, voting by an electronically transmitted ballot, or represented by proxy shall be maintained for a period of at least three (3) years.

Section 5.Voting. Each Member shall be entitled to only one (1) vote, upon each matter submitted to a vote at a meeting of the Members. Except in the election of directors, all questions shall be decided by a vote of a majority of the Members voting thereon in person, by remote participation, or represented by proxy except as otherwise provided by law, the Articles of Incorporation or these Bylaws.

Section 6.Proxies. Except as otherwise provided in these Bylaws, at all meetings of Members, a Member may vote by proxy, either executed in writing by the Member or submitted electronically. Such proxy shall be received by the Inspector of Elections at least three (3) days before the date of the meeting. No proxy shall be voted at any meeting of the Members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. No Member shall vote as proxy for more than three (3) Members at any meeting of the Members except where such Person is exercising a proxy in connection with the borrowing of funds or in connection with an amendment to the Articles of Incorporation of the Cooperative; provided, however, that where the limitation of three (3) proxies applies, if a Member is authorized to vote as proxy for more than three (3) Members, such additional proxy or proxies may be voted by the Board of Directors. A Member holding a proxy may not designate a substitute Member to vote the proxy. In case of a joint membership a proxy may be executed by either or both joint Members. The presence in person or by remote participation of any joint Member at a meeting of the Members shall revoke a proxy previously executed by any joint Member for such joint membership and such joint Member or Members shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed. No proxy shall be valid after sixty (60) days from the date of its execution. The receipt by the Cooperative of a proxy dated after a proxy from the same member or submitted electronically after the earlier proxy shall revoke the earlier proxy. A proxy may be revoked by a written revocation dated or submitted electronically after the proxy. A proxy shall be deemed revoked upon the Cooperative receiving notice of the death or legal incapacity of the Member granting the proxy. The presence in person or by remote participation of a Member at a meeting of the Members shall revoke a proxy previously executed by him or her and if the proxy is revoked such Member shall be entitled to vote at such meeting in the same manner and with the same effect as if he or she had not executed a paper proxy or submitted an electronic proxy.

Section 7. Order of Business and Agenda. The order of business and agenda at the annual meeting of the Members and all other meetings of the Members, shall be determined by the Board of Directors.

ARTICLE IV **Board of Directors**

Section 1. General Powers. The business and affairs of the Cooperative shall be managed by a Board of Directors. The Board shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the Members.

Section 2. Election and Tenure of Office.

~~(a)~~ (a) Members of the Board of Directors shall be elected by the Members voting (i) by a legally sufficient electronically transmitted ballot; (ii) by a paper ballot submitted to the Inspector of Elections or his or her designee by U.S. mail; or (iii) in person by ballot at annual meetings of the Members if the Board of directors has determined that the annual meeting shall be held at a place. The Board of Directors shall appoint an Inspector of Elections, who need not be a member, to exercise the lawful powers thereof and to appoint or retain other persons or entities to assist the Inspector in the performance of his or her duties. Voting in elections shall follow a schedule approved by the Board of Directors that provides for electronically transmitted ballots and paper ballots submitted by U.S. mail, and in person if the annual meeting is held at a place. If a member votes by more than one of the foregoing methods, the first vote received shall be counted and subsequent votes shall be void. Board members may be elected by a plurality vote of the Members voting if more than two candidates are nominated for a specific Board position to be filled by the election.

~~(a)(b)~~ (b) If an election of Board members is not concluded at the annual meeting, or at any adjournment thereof, a special meeting of the Members ~~shall~~ may be held for the purpose of concluding the election of Board members within a reasonable time thereafter. ~~Board members may be elected by a plurality vote of the Members voting if more than two candidates are nominated for a specific Board position to be filled by the election.~~

(i) ~~(b)~~ If an election of Board members is not concluded at the annual meeting, due to a tie or for any other reason, or at such an adjournment or special meeting held for the purpose of concluding the election of Board members, then an incumbent Director, if one exists, shall remain in office until the election is so concluded at an adjournment or special meeting or until the next annual meeting of Members, at which time the Members shall fill the vacancy for the remaining portion of the term, by electing an eligible Director from the original slate of candidates running for the Board member position in the election that was not concluded. Such a candidate from the original slate of candidates wishing to fill the office shall provide written notice to the Secretary of his or her desire to continue to stand for election at least three hundred and five (305) days before the date of such next annual meeting of the Members.

(ii) If an election of Board members is not concluded at the annual meeting, due to a tie or for any other reason, or at an adjournment or a special meeting held for the purpose of concluding the election of Board members, and there is no incumbent Director to remain in office, then the position shall be treated as a vacancy pursuant to Section 6 of this Article. Such person selected to fill the vacancy shall remain in office until the election is so concluded at an adjournment or special meeting or until the next annual meeting of Members, at which time the Members shall fill the vacancy for the remaining portion of the term, by electing an eligible Director from the original slate of candidates running for the Board member position in the election that was not concluded. Such a candidate from the original slate of candidates wishing to fill the office shall provide written notice to the Secretary of his or her desire to continue to stand for election at least three hundred and five (305) days before the date of such next annual meeting of the Members.

(iii) If there are no eligible candidates from the original slate of candidates that wish to fill the office and have provided proper notice to the Secretary, the position shall be filled at the next annual meeting of the Members for the remaining portion of the term from a slate of candidates chosen in accordance with the provisions of Section 4 of this Article.

(c) The Board of Directors shall consist of at least seven (7) and no more than thirteen (13) members.

(i) The purchase in 2010 of certain Virginia territory of The Potomac Edison Company, and the sale of the former West Virginia territory of

the Cooperative to The Potomac Edison Company, resulted in a transition period in which the Board size would be reduced from twelve Directors to nine Directors. At the conclusion of the transition period, there will be nine Director offices, held by individuals who reside as follows: (1) Augusta County or Highland County; (2) Rockingham County; (3) Page County, (4) Shenandoah County or Warren County; (5) Frederick County or Clarke County; (6) the City of Winchester; (7) Augusta County, Rockingham County or Highland County; (8) Shenandoah County, Page County or Warren County; and (9) Frederick County, the City of Winchester or Clarke County.

-(ii) Until such time as there are only two Directors who reside in Rockingham County, any Director residing in Rockingham County may choose to become at the expiration of the term a Director Emeritus for a period of eighteen months. In order for the choice to be effective, such a Director shall provide written notice of the choice to the Chair of the Board within the thirty (30) days prior to the appointment of the Nominating Committee for the year in which the term expires. A Director Emeritus may attend all regular and special Board meetings and be seated and recognized as a member of the Board at annual Members' meetings, but shall have no vote. A Director Emeritus shall receive compensation and benefits as determined by the Board, not to exceed those of an acting Director; If a Director chooses to become a Director Emeritus, then the office so vacated shall not be filled. Any Director having Emeritus status shall be ineligible as a candidate for any Director office.

(iii) Upon a Director becoming a Director Emeritus pursuant to the preceding subsection, or any other reason that causes or will cause the Board to include no more than three Directors who reside in Augusta/Highland County or Rockingham County, then the Augusta County/Highland County/Rockingham County office shall be filled at the next annual meeting at which the term expires for either of the Rockingham County offices. This will create the new Augusta County/Highland County/Rockingham County office and terminate the office with the expiring term that had become the second Rockingham County office. The holder of the terminated office shall be eligible to serve in the new Augusta County/Highland County/Rockingham County office. However, in the event the annual meeting at which this occurs is one in which the term expires for both offices from Rockingham County, the incumbent Director who polled the higher percentage of votes when elected, if that Director desires to be a candidate, shall choose either to seek nomination for the existing Rockingham office, or the new

Augusta/Highland/Rockingham office; and shall notify the Nominating Committee of the office selected prior to the first meeting of the Nominating Committee. The other Director shall be ineligible for nomination to the office so chosen, but may make the same choice on the same terms set forth herein in the event no such election is made by the incumbent Director with the higher percentage of the vote when they were elected. The foregoing notwithstanding, in the event that for any reason the Board is reduced to one member from Rockingham County, and the general rules for filling interim vacancies apply, the Board member appointed shall fill the Augusta/Highland/Rockingham office.

(v) Until the Board (1) is reconfigured to include the new office for Augusta County/Highland County/Rockingham County, and (2) has only one additional Director serving who is a resident of Rockingham County, any Director serving from Rockingham County shall be eligible for reelection to an office drawn solely from his or her jurisdiction, provided such Director is otherwise eligible and properly nominated. In the event any such office becomes vacant for any reason, it shall not be filled.

(~~ed~~) The term of office for a Director shall be four (4) years in length. At the conclusion of the transition period described in Article IV, Section 2(b) of these Bylaws, the Board may determine that it is in the best interest of the Cooperative to reduce Director terms to three (3) years, and the Board is authorized to make that determination, specifically including the authority to designate director terms as short as two (2) years for the purpose of achieving three (3) director classes of equal size.

(~~de~~) For purposes of these Bylaws:

i)Residence in the City of Staunton shall be deemed residence in Augusta County;

ii)Residence in Greene County shall be deemed residence in Rockingham County; and

iii)Residence in counties bordering Augusta County, other than Highland County and Rockingham County, shall be deemed residence in Augusta County.

Section 3.Qualifications.

(a) A person shall be eligible to become a member of the Board of Directors who:

i) Is a natural person Member of the Cooperative in good standing, or is an officer, Director, manager or employee of a non-natural person Member who is authorized in writing by such Member prior to nomination to serve on the Board of the Cooperative;

ii) Has the capacity to enter into legally binding contracts;

iii) Is or is deemed to be a bona fide resident of one of the jurisdictions enumerated in subsection 2(b) above;

iv) Is not a current or former employee of the Cooperative (within three years of his or her nomination) or an affiliated association, except as provided by Section 7 of this Article, and is not related to an employee or incumbent Director as set forth in the chart below;

[INSERT RELATIONSHIPS CHART]

v) is not in any way employed by or significantly financially interested in a competing enterprise or a business selling a substantial quantity of supplies or services to the Cooperative or selling competitive electric energy; and

vi) Complies with the Cooperative's Conflicts of Interest Policy Guidelines for Board members.

~~(b) No person shall be eligible to become a Board member if such person has not attained the age of 21 years prior to the date of his or her election to the Board.~~

~~(c) No person~~ who has been convicted of a felony or a crime involving moral turpitude shall be eligible to serve as a Director of the Board.

~~(d)~~ No person shall serve as a Director of the Board unless such person shall have earned, prior to his or her nomination, either a high school diploma, a GED®, or a high school equivalency credential approved by the Virginia Department of Education or a similar state agency.

~~(e)~~ The qualifications set forth in this section must remain applicable during the entire term of office of a Board member, except that the authority granted by a non-natural Member to an officer, Director, manager or employee, once granted, need not continue during the entire term. A Board

member holding office without meeting the applicable qualifications shall be removed from office by the Board of Directors. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

Section 4.Nominations. It shall be the duty of the Board of Directors to appoint, not more than two hundred seventy-five (275) days before the date of a meeting of the Members at which Board member elections are to be concluded, a Nominating Committee, consisting of not less than two (2) Members, in the event there is only one Board vacancy to be filled, or four (4) Members in the event there are two or more Board vacancies to be filled, but not more than twelve (12) Members, who shall include and may be limited to Members from the sections of the service area from which Board members are to be elected. No member of the Board of Directors may serve on such Committee. The names and addresses of the members of the Nominating Committee shall be published in the Member newsletter at least ninety (90) days prior to the meeting of the Members. The Nominating Committee shall prepare and post at the principal office of the Cooperative at least forty-five (45) days before the meeting, a list of nominations for Board members, which shall include one candidate nominated by the Committee and specifically designated for each Board position to be filled by the election. For such purpose, the Nominating Committee shall determine whether or not each incumbent Director, whose term will expire at the next meeting, wishes to be considered for nomination as a candidate for reelection to the office then occupied by the Director. A Director serving from Rockingham County, whose office will be terminated upon expiration of the then current term pursuant to Section 2(b)(iii) of this Article, shall be deemed an incumbent as to the Augusta/County/Highland County/Rockingham County office to be created. If an incumbent Director wishes to be considered for nomination to a succeeding term in the applicable office, then the Nominating Committee shall make any and all investigations and inquiries as it deems appropriate to aid in its determination of whether or not to nominate the incumbent as a candidate for reelection to such office, or election to the Augusta/County/Highland County/Rockingham County office to be created, as the case may be. In the event the Nominating Committee does not nominate the incumbent for reelection, or election to the Augusta/County/Highland County/Rockingham County office to be created, it shall nominate another eligible member as the candidate for that office. An individual nominated as a candidate for the applicable office by the Nominating Committee shall execute the certificate described below, but need take no further action to be named as a candidate, and his or her name shall be listed first on the ballot among candidates for that office, designated as the Nominating Committee

nominee, and if applicable, designated as the incumbent. However, if the incumbent is not nominated by the Nominating Committee, then the incumbent, in order to be a candidate to the applicable office, shall obtain the signatures of at least fifty (50) Members in good standing, pursuant to the process of nomination by petition as set forth below. The Secretary shall be responsible for mailing with the notice of the annual meeting or separately, but at least ten (10) days before the date of the meeting, a statement of the number of Board members to be elected, the names and addresses of the candidates nominated by the Nominating Committee and by petition as provided below, and the office for which each candidate has been nominated. Subject to the limit on the number of candidates set forth below, any Member meeting the residency requirements of Section 2 and the eligibility requirements of Section 3 of this Article, supported by fifty (50) or more Members acting together may make other nominations by petition, which shall be submitted by mail or by hand delivery to the Secretary, or his or her designee, at the headquarters of the Cooperative no later than 4:00 p.m., prevailing Eastern time, on March 15th, or if such day is a Saturday, Sunday, or legal holiday, then no later than the same time on the next day that is not a Saturday, Sunday, or legal holiday. A nominating petition shall specifically designate a single Board seat for which a nomination is made and shall contain a certificate stating that the petitioner agrees to abide by any policy of the Board with respect to fair campaign practices. The Nominating Committee shall determine if a nominating petition contains the requisite number of signatures of members in good standing at the time the petition is submitted to the Secretary, and in doing so may rely upon information from the President and Chief Executive Officer or his or her designee. The Nominating Committee shall then determine whether the petitioner is eligible to serve as a Director of the Cooperative under the provisions of these Bylaws and if so, then he or she shall be included as a candidate on the ballot; provided, however, if the total number of eligible petitioners for any office exceeds three, then the Nominating Committee shall select in its discretion the three petitioners best qualified to serve as a Director and the remaining petitioners shall not be candidates. The Secretary shall promptly post at the principal office of the Cooperative a list of the eligible, or if applicable, the selected petitioners, together with the Nominating Committee nominees. The signatures required for a nominating petition must be original, handwritten signatures and cannot be electronic or facsimile signatures.

Section 5. Removal of Board Members by Members. Any Member may bring charges against a Board member and, by filing with the Secretary such charges in writing together with a petition signed by at least ten percent (10%) of the Members, may request the removal of such Board member by reason thereof. Such Board member shall be informed in writing of the

charges at least ten (10) days prior to the meeting of the Members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the Person or Persons bringing the charges against him or her shall have the same opportunity. Members and Board members shall attempt to settle differences through negotiation or mediation. The question of the removal of such Board member shall be considered and voted upon at the meeting of the Members and any vacancy created by such removal may be filled by a vote of the Members at such meeting without compliance with the foregoing provisions with respect to nominations; provided however, that the Member filling such vacancy satisfies all requirements for eligibility for Board membership.

Section 6.Vacancies. Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Board members by members, and the failure of the Board of Directors to fill a vacancy in order to reduce the size of the Board, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining Board members. The term of a Director elected to fill a vacancy shall expire at the next annual meeting of Members, at which such vacancy can feasibly be filled, at which time the Members shall fill the vacancy for the remaining portion of the term, if any, by electing a Director in the manner set forth in Section 2 of this Article.

Section 7.Compensation. As allowed by law and the Articles of Incorporation, the Cooperative may reasonably reimburse, compensate, or provide benefits to Board members. The Board shall determine the manner and method of any reasonable Director reimbursement, compensation or benefits.

Section 8.Director Standard of Conduct.

(a) A Director shall discharge his or her duties, including duties as a Board committee member:

- (i) in good faith;
- (ii) with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
- (iii) in a manner the Director reasonably believes to be in the Cooperative's best interests.

(b) Unless a Director possesses knowledge concerning a matter making reliance unwarranted, then in discharging a Director's duties, including duties as a Board committee member, a Director may rely upon information,

opinions, reports or statements, including financial statements and other financial data, prepared or presented by:

- (i) one or more Cooperative officers or employees whom the Director reasonably believes to be reliable and competent in the matters prepared or presented;
- (ii) legal counsel, public accountants, or other individuals regarding matters the Director reasonably believes are within the individual's professional or expert competence; and
- (iii) a Board committee of which the Director is not a member, regarding matters within the Board committee's jurisdiction, if the Director reasonably believes the Board committee merits confidence.

(c) If a Director complies with this Bylaw, then the Director is not liable to the Cooperative, any Member, or any other individual or entity for action taken, or not taken, as a Director. No Director is deemed a trustee regarding the Cooperative or any property held or administered by the Cooperative, including without limit, property potentially subject to restrictions imposed by the property's donor or transferor.

ARTICLE V

Meetings of Board of Directors

Section 1.Regular Meetings. An organizational meeting of the Board of Directors shall be held as soon as practicable after the annual meeting of the Members. Regular meetings of the Board of Directors shall be held at such time and place designated by the Board of Directors. Such regular meetings may be held without notice other than such resolution fixing the time and place thereof. For good cause, the Chair may change the date, time or location of any regular Board meeting. The Secretary shall cause notice of the Chair's change in a regular Board meeting date, time or location to be given as hereinafter provided.

Section 2.Special Meeting. Special meetings of the Board of Directors may be called any three (3) Board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Board members calling the meeting shall fix the time and place for the holding of the meeting.

Section 3.Notice of Organizational, Special Board Meeting, and Change in Regular Board Meeting. Written notice of the time, place and purpose of the

organizational meeting, any special meeting of the Board of Directors, or change in the date, time or location of a regular Board of Directors meeting shall be delivered to each Board member in any of the following methods, at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chair or one of the Board members calling the meeting: (a) personally, (b) by mail, or (c) by electronic transmission unless such notice by electronic transmission has been refused, in writing, by the Director who is receiving such notice. Notice by electronic transmission shall be deemed to be refused if the Cooperative is unable to deliver two consecutive electronic transmissions and such inability to deliver such notice becomes known to the secretary or an assistant secretary of the Board of Directors or other person responsible for giving such notice. The inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Board member at his or her address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five (5) days before the date set for the meeting. If sent by electronic transmission, such notice shall be deemed to be delivered, regardless of whether or not the Director is aware of it, when (a) it enters an information processing system through which the Director is generally able to retrieve the electronic transmission and (b) it is in a form capable of being processed by that system. Notice sent by electronic transmission must be delivered at least five (5) days before the date set for the meeting. For computation of the amount of notice given, the day the notice is placed in the mail or delivered by electronic transmission shall be excluded; every day thereafter shall be counted, including intermediate Saturdays, Sundays and legal holidays, and the day of such meeting; provided, however, if the fifth day falls on a Saturday, Sunday or legal holiday, then such day shall not be counted.

Section 4. Quorum. A majority of the Board of Directors shall constitute a quorum. If less than a majority of the Board of Directors is present or remotely participating at a meeting, a majority of the Board of Directors present may adjourn the meeting from time to time. In such event, the Secretary shall notify any absent Board members of the time and place of such adjourned meeting. The act of a majority of the Board members present, at a meeting at which a quorum is present, shall be the act of the Board of Directors, except as otherwise provided in these Bylaws.

Section 5. Participation in Meetings. Notwithstanding the references in this Article to the place or location of a meeting, the Board of Directors may permit any or all Directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by

which all Directors participating may simultaneously hear each other during the meeting.

ARTICLE VI **Officers**

Section 1.Number. The officers of the Cooperative shall be a Chair of the Board, President and Chief Executive Officer, Vice Chair of the Board, Secretary, Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The offices of Secretary and Treasurer may be held by the same person. The President and Chief Executive Officer may appoint one or more other officers or assistant officers, any of whom may hold more than one office in the Cooperative.

Section 2.Election and Term of Office. The Chair, Vice Chair, Secretary and Treasurer shall be elected by secret ballot, annually by and from the Board of Directors at the organizational meeting of the Board of Directors held after the annual meeting of the Members. If the election of such officers shall not be held at such meeting, such election shall be held as soon thereafter as it conveniently may be. Each such officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the Members or until a successor shall have been elected and shall have qualified. A vacancy in any such office shall be filled by the Board of Directors for the unexpired portion of the term.

Section 3.Removal of Officers and Agents by the Board of Directors. 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 Cooperative will be served thereby. In addition, any Member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing together with a petition signed by ten percent (10%) of the Members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the Board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the Person or Persons bringing the charges against him or her shall have the same opportunity. Members and officers shall attempt to settle differences through negotiation or mediation. In the event the President and Chief Executive Officer, as to officers appointed by him or her, or the Board of Directors, as to all other officers, does not remove such officer, or otherwise resolve the issues involved in the removal attempt the question of his or her removal shall be considered and voted upon at the next meeting of the Members.

Section 4. Chair of the Board. The Chair:

(a) shall preside at all meetings of the Members and the Board of Directors;

(b) may sign on behalf of the Cooperative, certificates of membership and any other document properly authorized or approved by the Board of Directors or Members; and

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

Section 5. President and Chief Executive Officer. The Board of Directors may appoint a President and Chief Executive Officer who may be, but who shall not be required to be, a Member of the Cooperative. The President and Chief Executive Officer shall be the chief executive and operating officer of the Cooperative and shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him or her.

Section 6. Vice Chair of the Board. In the absence of the Chair, or in the event of his or her inability or refusal to act, the Vice Chair shall perform the duties of the Chair, and when so acting shall have all the powers of, and be subject to all the restrictions upon the Chair. The Vice Chair shall also perform such other duties as from time to time may be assigned to him or her by the Board of Directors.

Section 7. Secretary. The Secretary shall be responsible for:

(a) keeping the minutes of the meetings of the Members and of the Board of Directors in books provided for that purpose;

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

(c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative under its seal is required by law or duly authorized in accordance with the provisions of these Bylaws;

(d) keeping a register of the names and mailing addresses of all Members and former Members having assigned capital credits;

(e) providing certificates of membership to Members, which may be signed by the Secretary or the Chair of the Board;

(f) keeping on file at all times a complete copy of the Articles of Incorporation, all amendments thereto (which copy shall always be open to the inspection of any Member) and at the expense of the Cooperative, furnishing a copy of the Bylaws and of all amendments thereto to any Member upon request; and

(g) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the Board of Directors.

Section 8. Treasurer. The Treasurer shall be responsible for:

(a) custody of all funds and securities of the Cooperative;

(b) the receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such banks or financial institutions as shall be selected in accordance with the provisions of these Bylaws; and

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

Section 9. Assistant Secretary and Assistant Treasurer. The President and Chief Executive Officer may appoint an Assistant Secretary and Assistant Treasurer who shall be authorized to perform the duties of the Secretary and Treasurer as the case may be, and when so acting shall have all the powers of the Secretary and the Treasurer as the case may be.

Section 10. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded 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 be bonded in such amount and with such surety as it shall determine.

Section 11. Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Directors, subject to the provision of these Bylaws with respect to compensation for a Board member. The Board of Directors may delegate to the President and Chief

Executive Officer the authority to fix the duties and compensation of employees.

ARTICLE VII
Non-Profit Operation

Section 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its Member patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Electric Distribution Service.

(a) General. In the furnishing of electric distribution service the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric distribution service in excess of operating costs and expenses properly chargeable against the furnishing of electric distribution service. 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 or her 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 of capital. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be used to offset any losses incurred during the current or any prior fiscal year, and to the extent not needed for that purpose, shall be (a) treated as permanent capital, or (b) allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

(b) Retirement of Capital Credits. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis and in accordance with policies of general application 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 credited to patrons' accounts may be retired in full or in part, in accordance with policies of general application. The Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital.

(c) Assignment of Capital Credits. Except as herein otherwise provided, capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest, or successors in occupancy in all or part of such patron's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.

(d) Retirement to Decedents Estates. Notwithstanding any other provision of these Bylaws, the Board of Directors at its discretion, shall have the power at any time upon the death of any patron who was a natural person, if the legal representative of the estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire or assign capital credited to any such patron upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however that such retirement will be in conformity with requirements of appropriate regulatory agencies or contracts and the financial condition of the Cooperative will not be impaired thereby. If patronage has accrued to the deceased patron during the fiscal year of death, then the legal representative of the estate (i) may waive the right to such capital credits as might otherwise be allocated pursuant to these Bylaws after the end of the fiscal year, or (ii) may delay the receipt of all retired capital credits to be paid until after the fiscal year allocations shall have been made. If the allocation is waived, the capital credits for the deceased patron for the fiscal year of death shall be allocated among other patrons for such year based upon their respective patronage. Where there has been no qualification in the decedent patron's estate, the request may be made by the patron's spouse, if any, and if none, his or her next of kin in the case of a deceased patron whose capital account does not exceed the amount prescribed in the Virginia Utility Consumer Services Cooperative Act, Code of Virginia, 1950,

as amended (§56-231.15 et seq.) for the payment of patronage capital by an electric cooperative to such spouse or next of kin of a deceased person upon whose estate there shall have been no qualification. The receipt of such payment by the spouse or next of kin shall be a full discharge and acquittance to the Cooperative to all persons whomsoever on account of such patronage capital.

(e) Donated Capital. Notwithstanding any other provisions of the Bylaws or other provisions of the membership certificate, if any patron or former patron fails to claim any cash retirement of capital credits or other payment from the Cooperative within one (1) year after payment of the same has been made available to him or her by notice or check mailed to the last address furnished by him or her to the Cooperative, such failure shall be and constitutes an irrevocable assignment and gift to the Cooperative by such patron of such capital credit or other payment from the Cooperative. Failure to claim any such payment within the meaning of this section shall include the failure by such patron or former patron to cash any check mailed to him or her by the Cooperative at the last address furnished by him or her to the Cooperative. The assignment and gift provided for under this section shall become effective only upon the expiration of one (1) year from the date when such payment was made available to such patron or former patron without claim therefor and only after further expiration of one hundred twenty (120) days following the giving of a notice by mail and publication that unless such payment is claimed within said one hundred twenty (120) day period, such gift to the Cooperative shall become effective. The notice by mail herein provided for shall be one mailed by the Cooperative to such patron or former patron at the last known address and the notice by publication in a newspaper circulated in the service area of the Cooperative, which may be the statewide newsletter. The one hundred twenty (120) day period following the giving of such notice shall be deemed to terminate one hundred twenty (120) days after the mailing of such notice or one hundred twenty (120) days following the last date of publication thereof, whichever is later.

ARTICLE VIII **Disposition of Property**

Section 1. Legal Compliance Required. The Cooperative may not sell, lease, mortgage or dispose of all or substantially all of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized by the Board of Directors or the Members in accordance with the Virginia Utility Consumer Services Cooperative Act, Code of Virginia, 1950, as amended (§56-231.15 et seq.).

Section 2. Required Procedure. No sale, lease, lease-sale, exchange or other disposition of all or substantially all of the Cooperative'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, lease, lease-sale, exchange or other disposition, it shall first obtain an independent appraisal as to the value of the assets of the Cooperative covered in the proposed sale, and independent advice as to the feasibility of the proposed lease, lease-sale, exchange or other disposition and as to any other terms and conditions which should be considered.

(b) If the Board of Directors, after receiving such appraisal, determines that the proposal should be submitted for consideration by the Members, it shall first give every other power supply or- consumer services cooperative with the same power supplier (which has not made such an offer for such sale, lease, lease-sale, exchange or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such other cooperatives which notice shall be attached to a copy of the proposal which the Cooperative has already received and a copy of the appraisal. Such other cooperatives shall be given not less than sixty (60) days during which to submit proposals, and the actual minimum period within which proposals are to be submitted shall be fixed and shall be stated in the written notice given to them giving due consideration to the time required for the Rural Utilities Service loan approval process.

(c) If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the Members, expressing in detail each of any such proposals, and shall call a special meeting of the Members for consideration thereof which meeting shall be held within sixty (60) 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 so determines and if such annual meeting is held within sixty (60) days after the giving of such notice, and further provided, that such period shall be extended as required by the appropriate regulatory agencies.

(d) Ten percent (10%) or more Members, by so petitioning the Board not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all Members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

Section 3.Exceptions. Section 2 shall not apply to a sale, lease, lease-sale, exchange or other disposition of all or substantially all of the assets of the Cooperative to one or more other such cooperatives if the substantive effect thereof is to merge or consolidate with such other one or more cooperatives.

ARTICLE IX **Seal**

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal 1936 Virginia".

ARTICLE X **Financial Transactions**

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

Section 2.Checks, Drafts, Etc. All checks, drafts, electronic funds transfers 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, including facsimile signatures, 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 3.Deposits. All funds except petty cash of the Cooperative shall be deposited from time to time to credit of the Cooperative in such banks or financial institutions as the Board may select.

Section 4. Change in Rates. Rates may be changed from time to time by the Board of Directors after complying with all requirements of the state and federal agencies relating to such changes.

Section 5.Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

ARTICLE XI **Indemnification**

Section 1.Indemnification and Liability of Director or Officer.

The Cooperative shall indemnify any past or present Director or officer of the Cooperative who is made a party to any lawsuit or legal proceeding (including without limitation any proceeding by or in the right of the Cooperative in which the Director or officer is adjudged liable to the Cooperative) as to any liability and legal fees incurred as a result of said proceeding provided that with respect to the conduct of the Director or officer -giving rise to the action that:

- (a) He or she conducted himself or herself in good faith; and
- (b) He or she believed:
 - (i) In the case of conduct in his or her official corporate capacity, that it was in the best interests of the Cooperative; and
 - (ii) In all other cases, that his or her conduct was at least not opposed to the best interests of the Cooperative; and
 - (iii) In the case of any criminal proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful.

A Director's or officer's conduct with respect to an employee benefit plan for a purpose that he or she believed to be in the interests of the participants in and beneficiaries of the plan is conduct that satisfies the requirements of Section 1(b)(ii) of this Article.

Section 2. Limitation. The Cooperative shall not indemnify a Director or officer in connection with any proceeding in which it is determined that said Director or officer is liable on the basis that personal benefit was improperly received or derived by him or her at the expense of the Cooperative. Further, the Cooperative shall not indemnify a Director or officer in connection with a proceeding by or in the right of the Cooperative except for reasonable expenses incurred in connection with the proceeding if it is determined that the Director has met the relative standard under Section 1 of this Article.

Section 3. Applicability to Employees and Agents. The Board of Directors shall have the power, generally and in specific cases, to indemnify employees and agents of the Cooperative to the same extent as provided in this Article with respect to Directors or officers. The Board of Directors is hereby empowered by a majority vote of a quorum of disinterested Directors, to cause the Cooperative to contract in advance to indemnify any person who is not a Director or officer who was or is a party to any proceeding, by reason of the fact that he or she is or was an employee or agent of the Cooperative, or

was serving at the request of the Cooperative as Director, officer, employee, or agent of another Cooperative, partnership, joint venture, trust, employee benefit plan or other enterprise, to the same extent as if such person were a Director or officer.

Section 4. Effect of Other Payment. The indemnification provided by this Article shall not be exclusive of any other rights to which any Director or officer may be entitled, including without limitation rights conferred by applicable law and any right under policies of insurance that may be purchased and maintained by the Cooperative or others, even as to liabilities against which the Cooperative would not have the power to indemnify such Director or officer under the provisions of this Article.

Section 5. Applicability to Successors. Each indemnity extended pursuant to the Article shall inure to the heirs, executors, and administrators of the person indemnified.

Section 6. Indemnification of Others. The Board may, by majority vote of a quorum of disinterested Directors cause the Cooperative to indemnify or contract in advance to indemnify any person not specified in Section 1 of this Article who was or is a party to any proceeding by reason of the fact that he or she is or was a employee or agent of the Cooperative or was serving at the Cooperative's request as a Director, officer, partner, trustee, employee, or agent of another foreign or domestic business or nonprofit corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, to the same extent as if such person were a Director or Officer.

Section 7. Effect of Subsequent Amendment. No amendment or repeal of the provisions of this Article shall limit or eliminate the right to indemnification provided hereunder with respect to acts or omissions occurring prior to such amendment or repeal.

ARTICLE XII: **Miscellaneous**

Section 1. Membership in Other Organizations. The Directors shall have full power and authority to authorize the Cooperative to organize, purchase stock in, make a capital contribution to, or to become a member of any cooperative, for-profit or non-profit corporation, limited liability company or other organization, whose purposes are related to the functions and purposes of this Cooperative.

Section 2. Waiver of Notice. Any Member or Board member may waive in writing any notice of a meeting required to be given by these Bylaws. The

attendance of a Member or Board member at any meeting shall constitute a waiver of notice of such meeting by such Member or Board member, unless a Member or Board member shall certify that he is attending a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 3.Policies, Rules & Regulations. The Board shall have the power to make and adopt such policies, rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

Section 4.Accounting System and Records. The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America and other regulatory authorities. The Board also after the close of each fiscal year shall cause to be made by a certified public accounting a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the Members at, or prior, to the next following annual meeting.

Section 5.Area Coverage. The Board shall make diligent effort to see that electric distribution 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 acting under policies of general application as a condition of such service.

ARTICLE XIII **Amendments**

These Bylaws may be altered, amended, or repealed at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for the purpose. Before any alteration or amendment by the Board of Directors may be declared adopted, it must receive a two-thirds vote of all the Directors in office. The power of the Board of Directors as to Bylaws shall be subject, however, to the right of the Members to alter, amend or repeal the Bylaws at any regular meeting of the Members, or at any special meeting of the Members called for the purpose. A proposal of a Member to alter, amend or repeal a Bylaw shall be made in writing to the Secretary at least one hundred (100) days prior to the meeting of the Members at which the Members will consider the proposal and shall contain the names, addresses and signatures of at least one hundred (100) Members supporting

the proposal. If the Board of Directors determines that the proposal is lawful, then a copy or a summary of the proposal shall be provided to Members by publishing on the Cooperative's Internet webpage and providing copies at district offices, or by publishing in the Member newsletter. The proposal shall not be modified prior to consideration by the Members. A copy of any alteration or amendment to the Bylaws shall be sent to each Member of the Cooperative within a reasonable time after such action of the Members has been taken.

| *Adopted by the Board of Directors on June ~~25, 2020~~24, 2021, effective at such time.*