

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These bylaws may be altered, amended, or repealed at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for the purpose.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 February 22, 2001  
Effective July 1, 2001**

# Bylaws



**Shenandoah Valley  
Electric Cooperative**

A Touchstone Energy® Cooperative



*“We Exist to Serve Our Members”*

[www.svec.coop](http://www.svec.coop)

*Adopted by Board of Directors on  
February 22, 2001  
Effective July 1, 2001*



**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") upon receipt of electric distribution service from the Cooperative, provided that the Person has first:

- (a) Made an application for membership therein;
- (b) Agreed to purchase from the Cooperative electric distribution service;
- (c) Agreed to comply with, and be bound by, the articles of incorporation and bylaws of the Cooperative, terms and conditions for supplying electric distribution service as adopted by the Board of Directors and relevant rules or regulations promulgated by appropriate regulatory agencies; and
- (d) Paid the membership fee hereinafter specified.

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 shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman 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 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;
- (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 shall constitute notice to both;
- (e) Expulsion or withdrawal of either shall terminate the joint membership;
- (f) Cancellation of the membership of

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 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

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.

**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

either shall terminate the joint membership;

(g) Either, but not both, may be elected or appointed as a Board member.

### 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 supplying 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 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 supplying Utility Services, 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, 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 patrons as capital and each patron shall be credited with the capital so contributed as provided in these bylaws. Each 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 individual members and patrons 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, 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 supplying 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 one (1) year after electric distribution service is available, has not purchased electric distribution service from the Cooperative, or of a member who, for a period of one (1) year 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

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) Any three hundred (300) 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

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 sixty (60) days following the giving of a notice by mail and publication that unless such payment is claimed within said sixty (60) 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 sixty (60) day period following the giving of such notice shall be deemed to terminate sixty (60) days after the mailing of such notice or sixty (60) 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 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.) and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting.

**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, leasesale, exchange or other disposition) an opportunity to submit

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 Members/Patrons**

**Section 1. Property Interest of Members/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 patrons and former patrons, including members and non-members, in the proportion of each patron and former patron's patronage to that of the aggregate patronage of all patrons during the ten 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 members or patrons shall be exempt from execution or other liability for the debts of the Cooperative and no member or patron shall be liable or responsible for any debts or liabilities of the Cooperative.

**Section 3. Bylaws as Contract.** 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 each patron are bound by such contract, as fully as though each 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 patron of the Cooperative by continuous posting in a conspicuous place in the Cooperative's office.

#### **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 such place within a county or a city adjacent to such county served by the Cooperative, as selected by the Board of Directors and which shall be designated in the notice of the meeting, for the purpose of electing Board Members, receiving reports for the previous fiscal year and transacting such other business as may come before 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, by the Chairman 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 at any

place within one of the counties or a city adjacent to such county served by the Cooperative as designated by the Board of Directors and shall be specified in the notice of the special meeting.

**Section 3. Notice of Members’**

**Meetings.** Written notice stating the place, 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 days nor more than sixty 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 shall be the date immediately prior to the date the notice of such meeting is mailed or electronically delivered. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which 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 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 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 is announced at the members’ meeting prior to adjournment. A list of the membership present 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. All questions shall be decided by a vote of a majority of the members voting thereon in person 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 executed in writing by the member. Such proxy shall be filed with the secretary at least forty-eight (48) hours before 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

(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.

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)

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 and close relatives of 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 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 on a jurisdictional basis and 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.

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 joint member. The presence 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 shall revoke the earlier proxy. A proxy may be revoked by a written revocation dated 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 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 proxy.

**Section 7. Order of Business.** 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 Members**

**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) Members of the Board of Directors shall be elected by secret ballot of the members present at each annual meeting of the members. If an election of Board members shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing Board members within a reasonable time thereafter. Board members may be elected by a plurality vote of the members.

(b) The Board of Directors shall consist of at least nine (9) and no more than twelve (12) members, three or four of whom shall reside in Augusta County, three or four of whom shall reside in Rockingham County, two or three of whom shall reside in Shenandoah County and one of whom shall reside

in either Hardy, Hampshire, or Pendleton Counties, West Virginia. In the event that a vacancy occurs in the Board of Directors due to the death, resignation or removal of a Board member by the Board of Directors, the Board for the purpose of reducing its size may choose to not fill such vacancy pursuant to Section 6 of this Article, provided that the minimum numbers set forth in the preceding sentence with respect to the county of residence of Board members shall be maintained, respectively. For purposes of these Bylaws, residence in a city adjacent to a county shall be deemed residence in such county.

(c) The term of office for a Director shall be three (3) years and the terms shall be staggered so that an equal number of Directors are elected each year to the extent practicable. If applicable law permits and the Board of Directors determines that terms of Directors shall be four (4) years in length, then the Board of Directors may provide for terms of Directors of different lengths and for the election of an unequal number of Directors each year, during the transition to four (4) year terms so that such a transition may be accomplished expediently and practicably.

### **Section 3. Qualifications.**

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

- i) Is a natural person;
- ii) Has the capacity to enter into legally binding contracts;
- iii) Either 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;

iv) Is a bona fide resident of one of the counties enumerated in Section 2(b) above, or a city adjacent to such county served by the Cooperative; and

v) Is not an employee of the Cooperative or an affiliated association, except as provided by Section 7 of this article; or is related to an employee or incumbent Director as follows:

vi) 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

vii) 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) 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

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 Chairman of the Board.** In the absence of the Chairman, or in the event of his or her inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman, and when so acting shall have all the powers of, and be subject to all the restrictions upon the Chairman. The Vice Chairman 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 post office addresses of all members and patrons;

(e) signing certificates of membership;

(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 Board of Directors 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



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 office of Assistant Secretary and Assistant Treasurer may be held by the same person.

**Section 2. Election and Term of Office.** The Chairman, Vice Chairman, 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 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 or 300, whichever is the lesser, 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 Board of Directors 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. Chairman of the Board.**

The Chairman:

- (a) shall preside at all meetings of the members and the Board of Directors;
- (b) may sign on behalf of the Cooperative, any 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 Chairman 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

duty of the Board of Directors to appoint, not more than one hundred fifty (150) days before the date of a meeting of the members at which Board members are to be elected, a nominating committee consisting of not less than four (4) nor more than twelve (12) members, who shall be selected from different sections of the service area so as to insure equitable geographic representation on such committee. 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 committee, keeping in mind the principle of equitable representation and the requirements for eligibility for Board membership, shall prepare and post at the principal office of the Cooperative at least thirty (30) days after the publication of the names and addresses of the nominating committee in the member newsletter and at least forty five (45) days before the meeting, a list of nominations for Board members which shall include at least two candidates for each Board position to be filled by the election. The Secretary shall be responsible for mailing with the notice of the 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 and the names and addresses of the candidates nominated by the committee. Any one hundred (100) or more members acting together may make other nominations by petition and the

Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. Nominations made by petition, if any, must be received by the Secretary at least ten (10) days before the meeting and shall be included on the official ballot.

**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 the members, and the determination of the Board of Directors to not 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 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**

**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 Chairman may change the date, time or location of any regular Board meeting. The Secretary shall cause notice to be given as hereinafter provided of a Chairman's change in a regular Board meeting date, time or location at least 48 hours before the changed regular Board meeting.

**Section 2. Special Meeting.** Special meetings of the Board of Directors may be called by the Chairman or by 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 Chairman or Board members calling the meeting shall fix the time and place for the holding of

the meeting.

**Section 3. Notice of Organizational and Special Board Meeting.** Written notice of the time, place and purpose of the organizational meeting and of any special meeting of the Board of Directors shall be delivered to each Board member either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairman or one of the Board members calling the meeting. 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 48 hours before the date set for the meeting.

**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 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.

**ARTICLE VI  
Officers**

**Section 1. Number.** The officers of the Cooperative shall be a Chairman of the Board, President and Chief Executive Officer, Vice Chairman of the Board, Secretary, Assistant Secretary, Treasurer, Assistant

