

CENTRAL VIRGINIA ELECTRIC COOPERATIVE BYLAWS OF THE COOPERATIVE

Adopted By CVEC Board and Ratified by Members on June 22, 2016

ARTICLE I - DEFINITIONS

SECTION 1.1 - General Provisions.

Unless the context requires otherwise, capitalized words (“Defined Terms”) shall have the meaning specified in the appropriate Bylaw section.

ARTICLE II - COOPERATIVE MEMBERSHIP

SECTION 2.1 - Membership Eligibility.

Any person, firm, association, cooperative, corporation, limited liability company, trust, partnership, limited liability partnership, state, state agency, or political subdivision, or other legal entity (collectively, “Person”), that purchases any products or services related to energy or the distribution thereof (collectively, “Utility Services”) from the Cooperative is eligible to become a Member.

No Person may hold more than one membership in the Cooperative. Except as otherwise provided in these Bylaws, no Cooperative membership, and no right or privilege associated with Cooperative membership, may be sold, purchased, assigned, or otherwise transferred.

SECTION 2.2 - Membership Procedure.

Any Person seeking to become a Member (“Applicant”) must complete the following procedures (“Membership Procedures”):

1. Complete a written membership application provided by the Cooperative in which the Applicant agrees, in writing, to comply with and be bound by:
 - a. The Cooperative’s Articles of Incorporation (“Articles”);
 - b. These Bylaws and amendments thereto; and
 - c. The Cooperative’s Terms and Conditions for Electric Service; and
 - d. Any other rules and regulations adopted by the Cooperative’s Board of Directors (“Directors”). (Items a., b., c., and d. are collectively referred to as the “Governing Documents”);
2. Purchase electric distribution and/or energy services from the Cooperative;
3. Pay the Cooperative any dues, assessment, fee, deposit, contribution, or other amount required by the Governing Documents or the Cooperative; and
4. Unless waived in writing by the Cooperative, pay the Cooperative any outstanding amounts owed the Cooperative by the Applicant.

SECTION 2.3 - *Automatic Membership.*

Unless the Board determines otherwise as provided in these Bylaws, an Applicant automatically becomes a member of the Cooperative (“Member”) effective upon the later of the date the Applicant began using any Utility Service and the date the Applicant has completed the Membership procedure to the Cooperative’s satisfaction.

The Cooperative may issue membership certificates to each Member in a manner, method, and form determined by the Board.

The Board may refuse any Applicant membership in the Cooperative for cause.

SECTION 2.4 – *Member Definition.*

A member is defined as a person or eligible legal entity who purchases default electric energy requirements and electric distribution services from the Cooperative.

SECTION 2.5 - *Indemnification.*

Each Member shall indemnify the Cooperative for, and hold the Cooperative harmless from, any expenses, costs, liabilities, or damages, including reasonable attorney 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 the Governing Documents.

SECTION 2.6 - *Membership Termination.*

The Cooperative may terminate memberships as provided in these Bylaws, or for good cause as determined by the Board or as otherwise allowed by law.

A. *Termination Reasons.* The Cooperative may terminate a Membership if the Member:

1. Fails to timely pay any amounts due the Cooperative;
2. Fails to timely comply with the Governing Documents;
3. Ceases to receive services from the Cooperative;
4. Dies, legally dissolves, or legally ceases to exist; or
5. Voluntarily requests termination.

B. *Effect of Membership Termination Upon Cooperative.* Upon Membership termination, the Cooperative’s duties, obligations, and liabilities imposed by these Bylaws for the Member cease and the Cooperative may cease providing any or all Utility Services to the Member. The Cooperative retains the obligation to allocate Capital Credits for the period during which the Member purchased Utility Service.

C. *Effect of Membership Termination Upon Member.* Other than the right to receive allocated Capital Credits when they are retired and refunded, a former Member forfeits and relinquishes all

rights provided in the Governing Documents. In particular, a former Member forfeits and relinquishes any voting rights provided by these Bylaws. A former Member, however, remains subject to all obligations imposed by the Governing Documents. Termination of a Membership does not release the former Member from any debts, liabilities, or obligations owed the Cooperative. Upon a Membership termination from the Cooperative, and after deducting any amounts owed the Cooperative, the Cooperative shall return to the former Member any deposit paid by the former Member. The Membership Certificate of such former Member shall be cancelled.

D. *Suspension or Termination of Service.* Notwithstanding the foregoing, the Cooperative may suspend or terminate Utility Services to a Member in accordance with the Governing Documents, without first terminating their Membership.

ARTICLE III - MEMBER MEETINGS AND MEMBER VOTING

SECTION 3.1 - Annual Meetings.

The Cooperative shall annually hold a meeting of Members (“Annual Member Meeting”). The Board shall determine the date, time, and location of the Annual Member Meeting.

At the Annual Member Meeting, the Chairman and Treasurer shall provide a report regarding the Cooperative’s activities and financial condition. The Cooperative’s failure to hold an Annual Member Meeting does not affect any action taken by the Cooperative.

SECTION 3.2 - Special Member Meetings.

The Cooperative shall hold a special meeting of Members at a date, time, and location, each selected by the Board in its discretion, (“Special Member Meeting”) upon receipt by the Cooperative of a written request from a majority of the Directors; or a least ten percent of the Cooperative’s total current Members (“Total Membership”) requesting, and describing the purpose of, a special meeting of Members (“Member Demand”).

SECTION 3.3 - Notice of Member Meetings.

As directed by the Chairman, Secretary or any Officer or Member properly calling a Member Meeting, the Cooperative shall provide written notice of the Member Meeting to all members entitled to vote at the Member Meeting. Such written notice shall be provided at least fifteen but no more than forty-five days prior to the Member Meeting, and shall include the date, time, and location of the Member Meeting.

For any Special Member Meeting, written notice shall state and describe the purpose and matters to be considered or voted at the Special Member Meeting.

The failure of any Member to receive notice of any Member Meeting shall not affect any action taken at the Member Meeting.

Unless otherwise provided in these Bylaws, the Cooperative shall notify Members of a Member Meeting adjourned to another date, time, or location unless:

1. The Member Meeting is adjourned to another date occurring within twenty days following the Record Date for the original Member Meeting; and
2. The new date, time, or location is announced at the Member Meeting prior to adjournment.

SECTION 3.4 - *Record Dates.*

The Board may fix a date (“Record Date”) for determining the Total Membership and the members entitled to receive a Notice of a Member Meeting and to vote at a Member Meeting. The initial Record Date is effective for any Member Meeting adjourned to a date not more than seventy days following the Record Date for that meeting.

The Record Date for determining the Members entitled to sign a Member Demand is the close of business on the thirtieth day prior to the Cooperative’s receipt of Member Demands.

SECTION 3.5 - *Member Waiver of Notice.*

A Member may waive Notice of a Member Meeting, or waive notice of any matter to be voted on at a Member Meeting, by signing and delivering to the Cooperative a written waiver of notice (“Member Meeting Waiver of Notice”) either prior to the Member Meeting, or within thirty days following the Member meeting. Unless a Member objects to holding, or to transacting business at, a Member Meeting, a Member’s vote by Proxy Ballot or by attendance in person waives the Member’s objection to lack of notice, or to defective notice, of the Member Meeting. Unless a Member objects to considering a matter at a Member Meeting, a Member’s vote by Proxy Ballot or by attendance in person waives the Member’s objection to voting on the matter at the Member Meeting.

SECTION 3.6 - *Member Quorum.*

A quorum of Members either in person or represented by Member Proxy is two and one-half percent of the Total Membership (“Member Quorum”).

If less than the Member Quorum are present at any Member Meeting, then a majority of Members attending the Member Meeting in person or represented by Proxy Ballot may adjourn the Member Meeting to a date no more than ninety days following the original Member Meeting.

SECTION 3.7 - *Member Voting.*

Upon presenting identification or proof of Cooperative membership as reasonably required by the Cooperative, and regardless of the value or quantity of Utility Services used, received, or purchased, each Member may cast one vote on any matter for which the Member is entitled to vote. The Member’s vote may be cast in person or by Proxy Ballot. The presence of any Member at a Member Meeting revokes a Proxy Ballot executed for that Member Meeting. Individuals voting on behalf of non-natural person Members must present evidence satisfactory to the Cooperative that the individual is duly authorized to vote for the non-natural person Member.

Unless otherwise provided by Law, the Articles, or these Bylaws, Members approve a matter and act if:

1. A Member Quorum exists; and
2. A majority of Members by Proxy Ballot or present in person entitled to vote on a matter, and voting on a matter, vote in favor of the matter.

Cumulative voting by Members is not allowed.

SECTION 3.8 - *Member Voting by Proxy Ballot.*

At all Member Meetings, a Member may vote by proxy executed in writing by the Member ("Proxy Ballot"). Such Proxy Ballot shall be delivered to the Cooperative no later than the close of business two business days before the date of the Member Meeting. No Proxy Ballot shall be voted at any Member Meeting or any adjournment of such meeting unless it shall designate the particular Member Meeting at which it is to be voted. Proxy Ballots may be completed and submitted in the following manner:

1. The Member may designate a proxy who is a member of Central Virginia Electric Cooperative and who will act as the member's proxy at the Member Meeting; or
2. The Member may designate a proxy who is a member Central Virginia Electric Cooperative and may provide voting instructions for the proxy to fulfill on the member's behalf at the Member Meeting; or
3. The Member may not designate a proxy name and may not provide voting instructions, in which case, the Board of Directors shall appoint someone to act as the member's proxy at the Member Meeting; or
4. The Member may not designate a proxy name but may provide voting instructions, in which case, the Board of Directors shall appoint someone to act as the member's proxy and fulfill the member's voting instructions at the Member Meeting.

SECTION 3.9 - *Member Meeting Order of Business.*

The Board shall determine the agenda and order of business for Member Meetings.

ARTICLE IV - BOARD OF DIRECTORS

SECTION 4.1 - *Director Districts.*

The general area in which Members reside ("Cooperative Service Area") is divided into three districts ("Director Districts"). Three Directors shall be elected from each Director District.

A. *Director District Designations.* The three Director Districts are identified as follows:

1. The West District which includes the Cooperative Service Area in the Counties of Augusta, Albemarle, Greene and Nelson;

2. The South District which includes the Cooperative Service Area in the Counties of Amherst, Appomattox, Buckingham, Campbell, Cumberland, Goochland and Prince Edward; and
3. The East District which includes the Cooperative Service Area in the Counties of Fluvanna, Louisa and Orange.

B. *Directors Elected At Large.* Candidates for Director shall run for election to a Director District position in which the nominee resides and in which at least one incumbent Director's term has expired at the time of the Annual Member Meeting at which the Director election will take place. Director candidates will compete for election against other Director candidates residing in the same Director District. In the case of Director candidates competing for one or more designated Director District positions, the Director candidate(s) receiving the most votes for the designated Director District position(s) will be elected. Each Member may vote once for each Director position, for which an election is being held. All Members, entitled to vote in the election of Directors, may vote to elect Directors for all three Director Districts.

SECTION 4.2 - *Board.*

The Cooperative shall have a Board consisting of nine natural persons, three Persons from each Director District, elected by the Members at large. Except as otherwise provided by Law, the Articles, or these Bylaws:

1. All Cooperative powers must be exercised by the Board or under the Board's authority; and
2. All Cooperative affairs must be managed under the Board's direction.

To the extent the Law, the Articles, or these Bylaws authorize any Person to exercise any power that the Board would otherwise exercise, the Person exercising the power has, and is subject to, the same duties, responsibilities, and standards of care as the Board.

SECTION 4.3 - *Director Qualifications.*

Any Director or Director candidate must comply with this section.

A. *Membership Director Qualifications.* A Director or Director candidate must:

1. Be a natural person;
2. Have the capacity to enter into legally binding contracts;
3. Be a legal citizen of the United States of America;
4. Be a Member in good standing permanently residing in the Director District from which the Director is elected or chosen.

B. *Conflict of Interest Director Qualifications.* While a Director, and during the one year immediately prior to becoming a Director, a Director or Director candidate must not be, nor have been:

1. A Close Relative (as defined in Section 4.12) of any existing Director;

2. Employed by, materially affiliated with, or share a material financial interest with, any other Director;
3. An incumbent of, or a candidate for, an elected public office in connection with which a salary is paid; or
4. Engaged in, nor employed by, materially affiliated with, or have a material financial interest in, any individual or entity;
 - a. Directly and substantially competing with the Cooperative;
 - b. Selling goods or services in substantial quantity to the Cooperative; or
 - c. Possessing a substantial conflict of interest with the Cooperative.

In addition, no Director or Director candidate shall be an existing, or close relative of an existing Cooperative employee. No Director or Director candidate shall have been during the previous five years immediately prior to becoming a Director an existing or close relative of an existing Cooperative employee. In addition to the foregoing limitations on a Cooperative employee, no former Cooperative employee may serve as a Director while receiving any post separation benefits from or through the Cooperative.

The Board shall determine if a conflict exists which disqualifies a candidate from becoming a Director.

C. *Continuing Director Qualifications.* Only natural persons complying with the Membership Director Qualifications, and Conflict of Interest Director Qualifications (collectively, “Director Qualifications”) may serve, or continue to serve, as Director.

After being elected or appointed a Director, if any Director fails to comply with any Director Qualifications, as determined by the Board, then the Board shall remove the Director. If at least a majority of Directors authorized by these Bylaws comply with the Director Qualifications and approve a Board action, then the failure of any Director to comply with all Director Qualifications does not affect the Board action.

SECTION 4.4 - *Director Nominations.*

Director candidates shall be nominated as follows:

A. *Member Petition Nominations.* Members may nominate additional individuals to run for election for any Director position for which Members are scheduled to vote at any Member Meeting (“Member Petition Nominations”). Members may make Member Petition Nominations by delivering to the Cooperative, at least seventy-five days prior to the Member Meeting, a written Member Nomination Petition (“Member Petition”):

1. Listing the name of the Member Petition Nominee;
2. Indicating the Director position for which the Member Petition Nominee will run;

3. Containing the printed names, addresses, and original signatures of at least one hundred of the Members;
4. Using a CVEC Member Petition Nomination Form, contained in the CVEC Director Candidate Packet and available from the Cooperative.

After verifying that a Member Petition complies with this Bylaw, the Cooperative shall post the Member Petition Nomination at the Cooperative's principal office and publish the Member Petition Nomination in the Cooperative's Member Meeting notice.

B. *Incumbent Director Nominations.* A Director candidate who is currently serving on the CVEC Board of Directors and who is nearing the expiration of his present term may deliver to the Cooperative, at least seventy-five days prior to the Member meeting, a written notice submitting his name for nomination. The Cooperative shall post the nomination at the Cooperative's principal office and publish the nomination in the Cooperative's Member Meeting notice.

C. *Notice of Director Nominations.* At least fifteen days but no more than forty-five days prior to any Member Meeting at which Members are scheduled to elect Directors, the Cooperative shall notify Members of the:

1. Director positions for which Members are scheduled to vote;
2. Names and corresponding Director positions of all incumbent Directors standing for re-election; and
3. Names and corresponding Director positions of all Member Petition Nominations.

SECTION 4.5 - *Director Elections.*

At the Annual Member Meeting, Members shall annually elect Directors for new Director positions or for Director positions for which the incumbent Director's Term is expiring.

SECTION 4.6 - *Director Terms.*

A Director's term is three years ("Director Term").

A. *Staggering of Director Terms.* The Cooperative shall stagger Director Terms by dividing the total number of authorized Directors into groups of approximately equal number and Members will annually elect an approximately equal number of Directors.

B. *Expiration of Director Terms.* Decreasing the number of Directors or length of Director Terms may not shorten an incumbent Director Term. Despite the expiration of a Director Term, the Director continues to serve until a new Director is elected, or until the number of Directors is decreased. Unless otherwise provided in these Bylaws, the Director Term of a Director filling a vacant Director's position is the remaining unexpired Director Term of the vacant Director's position.

SECTION 4.7 - *Director Resignation.*

A Director may resign at any time by delivering written notice of resignation to the Board, Chairman, or Secretary. Unless the written notice of resignation specifies a later effective date, a Director's resignation is effective upon the Board, Chairman, or Secretary receiving written notice of resignation. If a Director's resignation is effective at a later date, and if the successor Director does not take office until the effective date of the Director's resignation, then the pending Director vacancy may be filled before the effective date of the Director's resignation.

SECTION 4.8 - *Director Removal.*

Regarding any Director:

A. *Director Removal Petition.* As provided in this Bylaw, Members may request the removal of one or more Directors for committing any grossly negligent, fraudulent, or criminal, act or omission significantly and adversely affecting the Cooperative ("Cause"). For each Director for whom removal is requested, Members shall deliver to the Chairman or Secretary a dated written petition ("Director Removal Petition"):

1. Identifying the director;
2. Explaining the basis for requesting the Director's removal and identifying the Cause underlying the removal request; and
3. As Members existed on the Director Removal Petition date, containing the printed names, printed addresses, Cooperative's service account number, telephone number and original and dated signatures obtained within sixty days of the Director Removal Petition date, of at least ten percent of the Members entitled to elect the Director.

Within thirty days following the Chairman or Secretary receiving a Director Removal Petition the Cooperative shall forward a copy of the Director Removal Petition to the implicated Director, and the Board shall meet to review the Director Removal Petition.

B. *Member Meeting.* If the Board determines that the Director Removal Petition complies with this Bylaw, then the Cooperative shall notice and hold a Member Meeting within sixty days following the Board's determination. Notice of the Member Meeting must state that:

1. A purpose of the Member Meeting is to consider removing a Director;
2. Evidence may be presented, and a Member vote taken, regarding removing the Director; and
3. Members may elect a successor Director.

C. *Director Removal.* No Director may be removed unless:

1. A Member Quorum entitled to vote for the Director exists at the Member Meeting;

2. Prior to any Member vote, evidence must be presented supporting the basis for removing the Director; and
3. The Director has the opportunity to be represented by legal counsel, and must have the opportunity to refute, and present evidence opposing, the basis for removing the Director.

Following the presentation and Member discussion, the Members entitled to vote for the Director must vote whether to remove the Director.

If a majority of members entitled to vote for the Director, vote to remove the Director, then the Director is removed effective the time and date of the Member vote. At the Member Meeting, the Members entitled to vote for the Director may elect a new Director to succeed the removed Director without complying with the Director Nomination or notice provisions of these Bylaws. Any successor Director elected by the Members must comply with the Director qualifications.

Neither a Director Removal Petition nor a Director removal affects any Board action. No Director may be removed for lawfully opposing or resisting any Transfer of Cooperative Assets, or any Cooperative dissolution.

SECTION 4.9 - *Director Vacancy.*

Unless otherwise provided in these Bylaws:

1. The Board shall, by majority vote, fill any vacant Director position, including any vacant Director position resulting from increasing the number of Directors; and
2. Any Director elected by the Board to fill any vacant Director position shall serve until the next Annual Member Meeting, at which time the Members shall elect a new Director to fill the previously vacant Director position.

An individual elected to fill a vacant Director position must comply with the Director Qualifications. As used in this Bylaw, “vacant Director position” and “Director vacancy” do not include Director positions vacated due to an expired Director Term.

SECTION 4.10 - *Director Compensation.*

As allowed by Law and the Articles, the Cooperative may reasonably reimburse, compensate, or provide benefits to, Directors. The Board shall determine the manner and method of any reasonable Director reimbursement, compensation, or benefits.

SECTION 4.11 - *Director Standard of Conduct.*

- A. A director shall discharge his duties as a director, including his duties as a member of a committee, in accordance with his good faith business judgment of the best interests of the Cooperative.
- B. Unless a director has knowledge or information concerning the matter in question that makes reliance unwarranted, a director is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by:

1. One or more officers or employees of the Cooperative whom the director believes, in good faith, to be reliable and competent in the matters presented;
2. Legal counsel, public accountants, or other persons as to matters the director believes, in good faith, are within the person's professional or expert competence; or
3. A committee of the board of directors of which the director is not a member if the director believes, in good faith, that the committee merits confidence.

C. A director is not liable for any action taken as a director, or any failure to take any action, if he performed the duties of his office in compliance with this section.

SECTION 4.12 - *Close Relative.*

As used in these Bylaws, the term “Close Relative” means an individual who:

1. Is, either by blood, law, or marriage, including half, step, foster, and adoptive relations, a spouse, child, grandchild, parent, grandparent, or sibling; or
2. Principally resides in the same residence.

Any individual properly qualified and elected or appointed to any position does not become a Close Relative while serving in the position because of any marriage or legal action in which the individual was not a party.

ARTICLE V - BOARD MEETINGS AND DIRECTOR VOTING

SECTION 5.1 - *Regular Board Meetings.*

The Board shall regularly meet at the date, time, and location determined by the Board (“Regular Board Meeting”). Unless otherwise required by these Bylaws, the Board may hold Regular Board Meetings without notice. For good cause, the Chairman may change the date, time, or location of any Regular Board Meeting.

All Directors are entitled to receive notice of a Chairman’s change in a Regular Board Meeting date, time, or location at least five days before the changed Regular Board Meeting.

SECTION 5.2 - *Special Board Meetings.*

The Chairman, or a majority of the Directors may call a special meeting of the Board (“Special Board Meeting”) by providing each Director at least five days’ prior written notice indicating the date, time, and location and purpose of the Special Board Meeting.

SECTION 5.3 - *Conduct of Board Meetings.*

Unless otherwise provided in these Bylaws, any Regular Board Meeting or Special Board Meeting may be:

1. Held in any designated location; and

2. Conducted with absent Directors participating, and deemed present in person, through any means of communication by which all Directors participating in the Board Meeting may simultaneously communicate with each other during the Board Meeting.

If a Director Quorum is present at any Board Meeting, then:

1. In descending priority, the following Officers may preside at the Board Meeting: Chairman, Vice Chairman, Secretary, Treasurer; and
2. If no Officer is present or desires to preside over any Board Meeting, then the Directors attending the Board Meeting shall elect a Director to preside over the Board Meeting.

SECTION 5.4 - *Waiver of Board Meeting Notice.*

At any time, a Director may waive notice of any Board Meeting by delivering to the Cooperative a written waiver of notice signed by the Director and later filed with the Board Meeting minutes or the Cooperative's records. Unless a Director:

1. Upon arriving at a Board Meeting or prior to the vote on a particular matter, objects to lack of, or defective notice of the Board Meeting or a matter being considered at the Board Meeting; and
2. Does not vote for, or assent to, an objected matter; then the Director's attendance at, or participation in, a Board Meeting waives notice of the Board Meeting and any matter considered at the Board Meeting.

SECTION 5.5 - *Director Quorum and Voting.*

A quorum of Directors is a majority of the Directors in office immediately before a Board Meeting begins ("Director Quorum"). If a Director Quorum is present at the time a matter is voted or acted upon, and unless the vote of a greater number of Directors is required, then the affirmative vote of a majority of Directors present is the act of the Board.

SECTION 5.6 - *Committees.*

The Board may create committees of the Board ("Board Committees") and appoint Directors to serve on the Board Committees. Each Board Committee must consist of two or more Directors, and serves at the Board's discretion. The Board may create committees of the Members ("Member Committees") and appoint Members, including Directors, to serve on the Member Committees.

- A. *Creation and Appointment of Committees.* Except as otherwise provided in these Bylaws, at least a majority of Directors currently in office must approve the:
1. Creation of any Board Committee or Member Committee;
 2. Appointment of Directors to any Board Committee; and
 3. Appointment of Members to any Member Committee.

B. *Conduct of Committee Meetings.* To the same extent as the Board of Directors, the Bylaws addressing Regular Board Meetings, Special Board Meetings, Conduct of Board Meetings, Waiver of Board Meeting Notice, and Director Quorum and Voting apply to Board Committees and Directors serving on Board Committees, and to Member Committees and Members serving on Member Committees.

C. *Committee Authority.* Except as prohibited or limited by Law, the Articles, or this Bylaw, the Board may authorize a Board Committee to exercise Board authority. Although a Board Committee may recommend, a Board Committee may not act, to:

1. Retire and refund Capital Credits;
2. Approve the Cooperative's dissolution or merger, or the sale, pledge, or Transfer of all, or substantially all, Cooperative Assets;
3. Elect, appoint, or remove Directors, or fill any Board or Board Committee vacancy; or
4. Adopt, amend, or repeal these Bylaws.

Member Committees may act as specified by the Board, but may not exercise Board authority.

SECTION 5.7 - *Conflict of Interest.*

A. A conflict of interests transaction is a transaction with the Cooperative in which a director of the Cooperative has an interest that precludes him from being a disinterested director. A conflict of interests transaction is not voidable by the Cooperative solely because of the director's interest in the transaction if any one of the following is true:

1. The material facts of the transaction and the director's interest were disclosed or known to the board of directors or a committee of the board of directors and the board of directors or committee authorized, approved or ratified the transaction; or
2. The material facts of the transaction and the director's interest were disclosed to the members entitled to vote and they authorized, approved or ratified the transaction;; or,
3. The transaction was fair to the cooperative.

B. For purposes of subdivision A 1, a conflict of interests transaction is authorized, approved, or ratified if it receives the affirmative vote of a majority of the disinterested directors on the board of directors, or on the committee. A transaction shall not be authorized, approved, or ratified under this section by a single director. If a majority of the disinterested directors vote to authorize, approve or ratify the transaction, a quorum is present for the purpose of taking action under this section. The presence of, or a vote cast by, a director who is not disinterested does not affect the validity of any action taken under subdivision A 1 if the transaction is otherwise authorized, approved or ratified as provided in that subsection.

- C. For purposes of subdivision A 2, a conflict of interests transaction is authorized, approved, or ratified if it receives the vote of a majority of the votes entitled to be counted under this subsection. The votes controlled by a director who is not disinterested may not be counted in a vote of members to determine whether to authorize, approve, or ratify a conflict of interests transaction under subdivision A 2. The director's votes, however, may be counted in determining whether the transaction is approved under other sections of this Act. A majority of the members, whether or not present, that are entitled to be counted in a vote on the transaction under this subsection constitutes a quorum for the purpose of taking action under this section.

SECTION 5.8 – “Disinterested director.”

"Disinterested director" means a director who, at the time action is to be taken under Conflict of Interest Transaction, Advancement of Expenses, or Indemnification, does not have (i) a financial interest in a matter that is the subject of such action or (ii) a familial, financial, professional, employment, or other relationship with a person who has a financial interest in the matter, either of which would reasonably be expected to affect adversely the objectivity of the director when participating in the action, and if the action is to be taken under Advancement of Expenses or Indemnification, is also not a party to the proceeding. The presence of one or more of the following circumstances shall not by itself prevent a person from being a disinterested director: (a) nomination or election of the director to the current board by any person, acting alone or participating with others, who is so interested in the matter or (b) service as a director of another corporation of which an interested person is also a director

Section 5.9 - Attendance Policy.

A Director's term automatically terminates and the position becomes vacant if, as determined by the remaining Directors, (a) the Director fails to attend in person six consecutive Regular Board Meetings or (b) during the course of a calendar year fails to attend, either electronically or in person, any six Board Meetings.

ARTICLE VI - OFFICERS

SECTION 6.1 - Required Officers.

The Cooperative must have the following officers: Chairman, Vice Chairman, Secretary, and Treasurer (“Required Officers”). The Board shall elect Required Officers:

1. At the first Regular Board Meeting following each Annual Member Meeting, or as soon after each Annual Member Meeting as reasonably possible and convenient; and
2. By affirmative vote of a majority of Directors in office.

Only Directors may be elected, and serve, as Required Officers. One Director may simultaneously be Secretary and Treasurer. Unless allowed by Law, however, this Director may not execute, acknowledge, or verify any document in more than one capacity.

Subject to removal by the Board, each Required Officer shall hold office until the Required Officer's successor is duly elected. The Board shall fill any vacant Required Officer's position for the remaining unexpired portion of the Required Officer's term.

SECTION 6.2 - *Chairman.*

Unless otherwise determined by the Board or Members, and unless otherwise required by Law, the Articles, or these Bylaws, the Chairman:

1. Shall preside, or designate another individual to preside, at all Board and Member Meetings;
2. On the Cooperative's behalf, may sign any documents properly authorized or approved by the Board or Members; and
3. Shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board or Members.

SECTION 6.3 - *Vice Chairman.*

Unless otherwise determined by the Board or Members, and unless otherwise required by Law, the Articles, or these Bylaws, the Vice Chairman:

1. Upon the Chairman's death, absence, disability, or inability or improper refusal to act, shall perform the duties, and have the powers, of the Chairman; and
2. Shall perform all other duties, shall have all other responsibilities, and may exercise all other authority prescribed by the Board or Members.

SECTION 6.4 - *Secretary.*

Unless otherwise determined by the Board or Members, and unless otherwise required by Law, the Articles, or these Bylaws, the Secretary:

1. Shall be responsible for preparing minutes of Board and Member meetings;
2. Shall be responsible for authenticating the Cooperative's records;
3. May affix the Cooperative's seal to any document authorized or approved by the Board or Members; and
4. Shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board or Members.

SECTION 6.5 - *Treasurer.*

Unless otherwise determined by the Board or Members, and unless otherwise required by Law, the Articles, or these Bylaws, the Treasurer shall perform all duties, shall have all responsibilities, and may execute all authority, prescribed by the Board.

SECTION 6.6 - *Other Officers.*

The Board may elect or appoint other officers including, without limitation, a President and Chief Executive Officer, one or more Vice Presidents, one or more Assistant Secretaries, and one or more Assistant Treasurers, (“Other Officers”). Other Officers:

1. May be Directors, Cooperative employees, or other individuals;
2. Must be elected or appointed by the affirmative vote of a majority of current Directors;
3. May be elected by secret written ballot and without prior nomination;
4. May assist Required Officers; and
5. Shall perform all duties, shall have all responsibilities, and may exercise all authority, prescribed by the Board.

The same individual may simultaneously hold more than one office. Unless allowed by Law, however, this individual may not execute, acknowledge, or verify any document in more than one capacity.

SECTION 6.7 - *Officer Resignation and Removal.*

At any time, any Required Officer or Other Officer (collectively, “Officer” or “Cooperative Officer”) may resign by delivering to the Cooperative or Board an oral or written resignation. Unless the resignation specifies a later effective date, an Officer resignation is effective when received by the Cooperative or Board. If an Officer resignation is effective at a later date, then the Board may fill the vacant Officer position before the later effective date, but the successor Officer may not take office until the later effective date. At any time, the Board may remove any officer for any reason, with or without cause.

SECTION 6.8 - *Authority to Execute Documents.*

On the Cooperative’s behalf, any two Required Officers (except in the case of the Chairman, whose signature alone is sufficient) may sign, execute, and acknowledge any document properly authorized or approved by the Board or Members. The Board may authorize additional Cooperative Directors, Officers, employees, agents, or representatives to sign, execute, and acknowledge any document on the Cooperative’s behalf.

SECTION 6.9 - *Officer Compensation.*

Unless otherwise provided in a Bylaw addressing Director compensation, reimbursement, or provision of benefits, and as determined by the Board, the Cooperative may reasonably compensate, reimburse, or provide benefits to, any Officer.

SECTION 6.10 - *Bonds.*

At the Cooperative’s expense, the Cooperative may purchase a bond covering any Cooperative Director, Officer, employee, agent, or representative.

SECTION 6.11 - *Indemnification.*

A. *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:

1. He conducted himself in good faith; and
2. He believed:
 - a. In the case of conduct in his official corporate capacity, that it was in the best interest of the Cooperative; and
 - b. In all other cases, that his conduct was at least not opposed to the best interest of the Cooperative; and
 - c. In the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful; or
3. The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, is not, of itself, determinative that the director or officer did not meet the relevant standard of conduct under this section
4. 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 at the expense of the Cooperative.
5. The indemnification provided by this Article shall not be exclusive to any other rights to which any Director or Officer may be entitled, including without limitation rights conferred by applicable law and rights under policies of insurance that may be purchased 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.
6. The Board 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 and Officers. The Board 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 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.

Such indemnification shall also extend to a Director's or Officer's conduct with respect to an employee benefit plan for a purpose that he believed to be in, or at least not opposed to, the interests of the participants in and beneficiaries of the plan provided that his conduct satisfies the requirements of provision 2. of this Section. Each such indemnity shall inure to the heirs, executors, and administrators of such person.

B. *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 Subparagraph A. of this Section who was or is a party to any proceeding by reason of the fact that he is or was an 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 6.12 - *Insurance.*

Regardless of any indemnification authority or requirements, the Cooperative may purchase and maintain insurance on behalf of any individual who is, or was, a Cooperative Director, Officer, employee, agent or representative against any:

1. Liability, including judgement, settlement, or otherwise; or
2. Reasonable expenses, including reasonable attorney fees, asserted against, or incurred by, the individual in the individual's capacity, or arising from the individual's status, as a Cooperative Director, Officer, employee, agent, or representative.

ARTICLE VII - COOPERATIVE OPERATION

SECTION 7.1 - *Not-for-profit and Cooperative Operation.*

The Cooperative:

1. Must operate on a not-for-profit basis (but may have for-profit affiliates and subsidiaries); and
2. Must operate in accordance with cooperative principles for the mutual benefit of its members.

SECTION 7.2 - *Allocating and Crediting Capital.*

A. *Patron.* A Cooperative patron is any Member, or any Non-Member Person who:

1. Uses, receives, or purchases any service, product or commodity from the Cooperative ("Cooperative Service"); and
2. Receives an allocation of, and payment by credit to a Capital account for, Capital Credits (collectively, "Patron").

B. *Capital Credits.* Patrons shall furnish, and the Cooperative shall receive, as capital ("Capital") all funds and amounts received by the Cooperative from Patrons for the Cooperative's provision of a Cooperative Service that exceed the Cooperative's costs and expenses of providing the Cooperative

Service (“Operating Margins”). For each Cooperative Service, the Cooperative shall annually allocate to each Patron, and pay by credit to a Capital account for each Patron, Operating margins from the Cooperative Service in proportion to the value or quantity of the Cooperative Service used, received, or purchased by each Patron during the applicable fiscal year (“Capital Credits”). Capital Credits must be treated as though the Cooperative paid the Capital Credit amounts to each Patron in cash pursuant to a legal obligation, and each Patron furnished the Cooperative Capital in the corresponding Capital Credit amounts.

C. *Non-Operating Margins.* Funds and amounts which may be gains or losses, other than Operating Margins, received or paid by the Cooperative (“Non-Operating Margins”) shall be:

1. Neither allocated as a credit or charged against, the Capital Credits of Patrons; but
2. Used by the Cooperative as permanent, non-allocated capital.

D. *Assignment and Notification.* Unless otherwise determined by the Board or provided in these Bylaws, Capital Credits may be assigned only upon a Patron:

1. Delivering a written assignment to the Cooperative; and
2. Complying with any other requirements reasonably determined by the Board.

The Cooperative shall annually notify each Patron of the dollar amount of Capital Credits allocated or credited to the Patron during the applicable fiscal year.

SECTION 7.3 - *Retiring and Refunding Capital Credits.*

At any time prior to the Cooperative’s dissolution or liquidation, the Board may authorize the Cooperative to wholly or partially retire and refund Capital Credits to Patrons and former Patrons. The Board shall determine the manner and method of retiring and refunding Capital Credits.

To secure payment of any amounts owed by a Patron or former Patron to the Cooperative, including any reasonable compounded interest, and late payment fee, determined by the Board, the Cooperative has a security interest in the Capital Credits of every patron and former Patron. Before retiring and refunding any Capital Credits, the Cooperative may deduct from the Capital Credits any amounts owed to the Cooperative by the Patron or former Patron, including any reasonable compounded interest, and late payment fee, determined by the Board.

SECTION 7.4 - *Donated Capital.*

Notwithstanding any other provision of the Bylaws or 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 year after payment of the same has been made available to the Patron or former Patron by notice or check mailed to the Patron or former Patron at the last address furnished by the Patron or former Patron to the Cooperative, such failure shall be and constitutes an assignment

and gift by such Patron or former Patron of such Capital Credit or other payment to the Cooperative. Failure to claim any such payment within the meaning of this Section shall include the failure of such Patron or former Patron to cash any check mailed to the Patron or former Patron by the Cooperative at the last address furnished by the Patron or former Patron to the Cooperative. The assignment and gift provided for under this Section shall become effective only upon the expiration of one year from the date when such payment was made available to such Patron or former Patron without claim therefore and only after further expiration of one hundred twenty days following the giving of a notice by publication that unless such payment is claimed within said one hundred twenty day period, such gift to the Cooperative shall become effective. The notice herein provided shall be published in the Cooperative's consumer newsletter and a publication of general circulation. The one hundred twenty day period following the giving of such notice shall be deemed to terminate one hundred twenty days following the last date of publication thereof.

Notwithstanding the provisions of the foregoing paragraph, any Patron or former Patron may at any time revoke an assignment or gift of Capital Credits to the Cooperative by appearing at the main office of the Cooperative in Nelson County, Virginia, and furnishing proof of identity entitling the Patron or former Patron to the Capital Credits.

SECTION 7.5 - *Non-Member Patrons and Non-Member Non-Patrons.*

As a condition of using, receiving, or purchasing any Cooperative Service, and unless otherwise determined by the Board:

1. To the same extent as Members, patrons who are not Members ("Non-Member Patrons") and Persons using, receiving, or purchasing any Cooperative Service who are neither Members nor Patrons ("Non-Member Non-Patrons") shall abide by, and be bound to, all the duties, obligations, liabilities, and responsibilities imposed by the Governing Documents upon Members;
2. To the same extent as Members, Non-Member patrons shall have rights to:
 - a. Be allocated Capital Credits; and
 - b. Receive retired and refunded Capital Credits, but shall have none of the other rights granted by the Governing Documents to Members; and
3. Non-Member Non-Patrons shall have none of the rights granted by the Governing Documents to Members or Non-Member patrons.

SECTION 7.6 - *Reasonable Reserves.*

Based upon the Cooperative's reasonable needs, the Cooperative may accumulate and retain Operating Margins ("Reasonable Reserves"). As provided in these Bylaws, however, the Cooperative shall allocate and credit Reasonable Reserves as Capital Credits

ARTICLE VIII - DISPOSITION OF COOPERATIVE PROPERTY

SECTION 8.1 - Power to Dispose of Cooperative Property.

The Cooperative may not sell, lease or dispose of any of its property other than property which, in the judgement of the Board is neither necessary nor useful in operating and maintaining the Cooperative's system and which in any one year shall not exceed fifty percent of the value of all the property of the Cooperative, or merchandise unless authorized to do so by the votes of at least two-thirds majority of the Members. However, the Cooperative:

1. May mortgage, finance (including, without limitation, pursuant to a sale and leaseback or lease and leaseback transactions), or otherwise encumber its assets by a vote of at least two-thirds of the Board;
2. May sell or transfer its assets to another cooperative upon the vote of a majority of its Members at any regular or special meeting if the notice of such meeting contains a copy of the terms of the proposed sale or transfer;
3. May sell or transfer distribution system facilities to a city or town at any time following the annexation of additional territory pursuant to Law by a vote of at least two-thirds of the Board;
or
4. May sell, lease, or dispose of its property pursuant to a plan for functional separation of utility functions that has been approved by any relevant regulatory authority and at least two-thirds of the Board.

ARTICLE IX MISCELLANEOUS

SECTION 9.1 - Bylaw Amendments.

Unless otherwise provided in these Bylaws, these Bylaws may be adopted, revised, amended, or repealed ("Amended") by the affirmative vote of a majority of the Board. Such adoptions, revisions, amendments, or repeals to the Bylaws ("Amendments") are immediately in effect. However, after August 22, 2001, such Amendments are subject to Ratification by the Members at the next occurring Annual Member Meeting.

A. *Ratification of Bylaw Amendments.* After August 22, 2001, Bylaws Amendments enacted by the Board are subject to the approval of the majority of Members voting in a Ratification vote ("Ratification") at an Annual Meeting of the Members. Following the Board's enactment of any Bylaws Amendments after August 22, 2001, at the next occurring Annual Member Meeting, Members may vote in person or by Proxy Ballot on the Ratification of Board enacted Bylaws Amendments. After August 22, 2001, Bylaws Amendments enacted by the Board, but not subsequently Ratified by the Members, as provided herein, shall be repealed effective on the date of the Ratification vote.

B. *Notice of Bylaw Amendment.* Notice of any Annual Member Meeting at which Members will consider the Ratification of Board enacted Bylaws Amendments must:

1. State that one of the purposes of the Annual Member Meeting is to consider Ratification of Board enacted Bylaws Amendments; and
2. Contain, or be accompanied by, a copy or summary of the Board enacted Bylaws Amendments which are subject to Ratification.

SECTION 9.2 - *Rules of Order.*

Unless the Board determines otherwise, and to the extent consistent with the Law, the Articles, and these Bylaws, all:

1. Member Meetings;
2. Board Meetings;
3. Member Committee meetings; and
4. Board Committee meetings are governed by the latest edition of *Robert's Rules of Order*.

SECTION 9.3 - *Fiscal Year.*

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

SECTION 9.4 - *Notice.*

In these Bylaws:

A. *Notice Type.* Unless otherwise provided in these Bylaws, notice may be:

1. Oral or written; and
2. Communicated:
 - a. In person;
 - b. By telephone, telegraph, facsimile, electronic communication, or other form of wire or wireless communication;
 - c. By mail or private carrier;
 - d. In the Cooperative's Member newsletter; or
 - e. If the above-listed forms of communicating notice are impractical, then by:
 - (1) A newspaper of general circulation in the area where published; or
 - (2) Radio, television, or other form of public broadcast communication.

If addressed, or delivered, to an address shown in the Cooperative's records, then a written notice or report delivered as part of a newsletter, magazine, or other publication regularly sent to Members constitutes a written notice or report to all Members.

B. *Notice Effective Date.* Unless otherwise provided in these Bylaws:

1. Oral notice is effective when communicated; and
2. Written notice is effective upon the earliest of:
 - a. When received;
 - b. When the postmark evidencing deposit in the United States Mail, if correctly addressed and:
 - (1) Deposited in the United States Mail with first class postage affixed; or
 - (2) Mailed with other than first class, registered, or certificated postage affixed, then fifteen days after deposited in the United States Mail; or
3. If sent registered or certified mail, return receipt requested, and then if the return receipt is signed by, or on behalf of, the addressee, then on the date indicated on the return receipt.

Written notice is correctly addressed to a Member if addressed to the Member's address shown in the Membership List.

SECTION 9.5 - *Governing Law.*

These Bylaws must be governed by, and interpreted under, the laws of the Commonwealth of Virginia.

SECTION 9.6 - *Titles and Headings.*

All titles and headings of Bylaws articles, sections, and sub-sections are for convenience and reference only, and do not affect the interpretation of any Bylaw article, section, or sub-section.

SECTION 9.7 - *Partial Invalidity.*

When reasonably possible, every Bylaw article, section, sub-section, paragraph, sentence, clause, or provision (collectively, "Bylaw Provision") must be interpreted in a manner by which the Bylaw Provision is valid. The invalidation of any Bylaw Provision by an entity possessing proper jurisdiction and authority, which does not alter the fundamental rights, duties, and relationship between the Cooperative and Members, does not invalidate the remaining Bylaw Provisions.

SECTION 9.8 - *Cumulative Remedies.*

The rights and remedies provided in these Bylaws are cumulative. The Cooperative or any Member asserting any right or remedy provided in these Bylaws does not preclude the Cooperative or Member from asserting other rights or remedies provided in these Bylaws.

SECTION 9.9 - *Successors and Assigns.*

To the extent allowed by Law:

1. The duties, obligations, and liabilities imposed upon the Cooperative or any Member by these Bylaws are binding upon the successors and assigns of the Cooperative or Member; and

2. The rights granted to the Cooperative by these Bylaws inure to the benefit of the Cooperative's successors and assigns.

The binding nature of duties, obligations, and liabilities imposed by these Bylaws upon the successors and assigns of the Cooperative and any Member does not relieve the Cooperative or Member of the duties, obligations and liabilities imposed by these Bylaws upon the Cooperative or Member.

SECTION 9.10 - *Waiver.*

The failure of the Cooperative to assert any right or remedy provided in these Bylaws does not waive the right or remedy provided in these Bylaws.

SECTION 9.11 - *Lack of Notice.*

To the extent allowed by Law and the Articles, the failure of any Member or Director to receive notice of any Meeting, action, or vote does not affect, or invalidate, any action or vote taken by the Members or Board.