

Bylaws of the Cooperative



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**These offices accept in-person bill payments,
 Monday-Friday, 8:15 a.m.-5:00 p.m.
 ^These offices have payment drop boxes.*

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Article I - Charter

Section 1. NOVEC Charter

Northern Virginia Electric Cooperative (NOVEC) is a business corporation chartered by the Commonwealth of Virginia and operating under Virginia laws. It is wholly owned and controlled by its members and pays all state and local taxes. Because it is a business owned by a specific group of people (not the public), it is a private enterprise. The people who use its services are the owners of the Cooperative, and it operates on a not-for-profit basis. All revenues over and above the cost of doing business each year are allocated to member capital credit accounts in the proportion that each member's total electric bill for the year relates to the year's margin. These capital credits will be returned to the members when the financial condition of the Cooperative meets the requirements established by the board of directors.

The Cooperative provides electric service in portions of Prince William, Fairfax, Fauquier, Stafford, Loudoun and Clarke counties and to the City of Manassas Park as shown on the NOVEC service territory map.

Article II - Membership

Section 1. Requirements for Membership

Any person, firm, association, corporation, body politic or subdivision thereof will become a member of the Northern Virginia Electric Cooperative (hereinafter called the Cooperative or NOVEC) upon receipt of electric service from the Cooperative, provided that said member has first:

- A. Made a written application for membership therein;
- B. Agreed to purchase from the Cooperative utility services as hereinafter specified;
- C. Agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the board of directors; and
- D. Paid the membership fee as referenced in Schedule F of the Cooperative's Terms and Conditions.

No member may hold more than one membership in the Cooperative and no membership shall be transferable except as provided herein.

Section 2. Evidence of Membership

Membership in the Cooperative shall be evidenced by a properly executed application, which shall be in such form and shall contain such provisions as shall be determined by the board of directors, in compliance with Article I, Section 1. Only one member of an association shall sign a membership application. No membership shall be accepted for less than the membership fee as referenced in Schedule F of the Cooperative's Terms and Conditions, nor until such membership fee has been paid in full.

Section 3. Member Classes

The Cooperative may classify each member based on the utility services purchased by such member. Unless otherwise provided in these Bylaws, the term "member" includes all member classes.

Section 4. Joint Membership

Any two 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 include any two persons holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply 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 to 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 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 of either shall terminate the membership;
- F. Withdrawal of either shall terminate the

membership;

- G. Either but not both may be elected or appointed as an officer or board member, provided that they meet the qualifications for such office; and
- H. Either party shall have the authority to sign the written application for membership and if the name of the other party is shown on the application, the same shall be deemed to be a joint membership.

Section 5. Conversion of Membership

- A. A membership may be converted to a joint membership upon the written request of the holder thereof and, subject to their compliance with the requirements set forth in Section 1 of this Article, any such two persons shall become holders of a joint membership as above described.
- B. When a membership is held jointly by two persons, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to either person. The estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

Section 6. Membership Fee

The membership fee shall be fixed as referenced in Schedule F of the Cooperative's Terms and Conditions.

Section 7. Non-liability for Debts of the Cooperative

The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

Section 8. Expulsion of Members

The board of directors of the Cooperative may, by the affirmative vote of not less than two-thirds of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cooperative or these Bylaws or any rules or

regulations adopted from time to time by the board of directors. Any member so expelled may be reinstated as a member by a vote of the members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

Section 9. Withdrawal of Membership

Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the board of directors may prescribe.

Section 10. Transfer and Termination of Membership

Membership in the Cooperative shall not be transferable, except as hereinafter or otherwise provided, and upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall operate as a release of all right, title and interest of the member in the property and assets of the Cooperative; provided, however, that such termination of membership shall not release the member from the debts or liabilities of such member to the Cooperative.

Article III - Meetings of Members

Section 1. Annual Meeting

The annual meeting of the members shall be held between August 1 and December 1 as the board of directors shall direct, at such place in any county in the area served by the Cooperative, as shall be designated in the notice of the meeting for the purpose of electing directors, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting. If election of directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the board of directors shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings

Special meetings of the members, except for those provided for in Section 8 of Article II, may be called by at least two-thirds of the board of directors or upon a written request signed by at least 10 per centum 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 in any county in the area served by the Cooperative specified in the notice of the special meeting.

Section 3. Notice of Members Meetings

Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 days nor more than 30 days before the date of the meeting, either personally or by mail, by or at the direction of the secretary or by the persons calling the meeting, to each member. In case of a joint membership, notice delivered to either party shall be deemed notice to both. Such notice shall be deemed delivered when deposited in the United States mail, addressed to the member at the address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of any annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Quorum

Not less than two and one-half per centum of the total number of members, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the members. In case of a joint membership, the presence at a meeting of either party or both shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present in person or represented by proxy may adjourn the meeting without further notice.

Section 5. Voting

Each member shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present all questions

shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the Certificate of Incorporation of the Cooperative or these Bylaws. If any two persons hold a joint membership they shall jointly be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members.

Section 6. Proxies

At all meetings of members, a member may vote by proxy executed in writing by the member, such written vote may be submitted by electronic transmission, provided the method of electronic transmission is done in a manner established and sanctioned by the board as meeting the verification of authorization requirements provided by the applicable corporate laws of Virginia.

Section 7. Order of Business

The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows:

- A. Call of the roll;
- B. Presentation of the notice of the meeting and proof of the due publication or mailing thereof or waiver or waivers of notice of the meeting, as the case may be;
- C. Presentation of unapproved minutes of previous meetings of the members and taking of necessary action thereon;
- D. Election of directors;
- E. Presentation and consideration of the reports of officers, directors and committees;
- F. Unfinished business;
- G. New business; and
- H. Adjournment.

Section 8. Removal of Directors and Officers

Any member may bring charges against an officer or director by filing them in writing with the secretary, together with a petition signed by 20 per centum of the members, requesting the removal of the officer or director in question. The removal shall be voted upon at a special meeting of the members called for that purpose and any vacancy created by such removal shall be filled in accordance with the provisions of the Bylaws. The director or officer

against whom charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against the director or officer shall have the same opportunity. Notice for such a special meeting shall be the same as set forth in Section 3, Article III when directors are to be elected.

Article IV - Directors

Section 1. General Powers

The business and affairs of the Cooperative shall be managed by a board of directors, which shall exercise all of the powers of the Cooperative except such as are by law, by the Certificate of Incorporation of the Cooperative or by these Bylaws conferred upon or reserved to the members. Subject to the above limitations, the board of directors shall have power to make and adopt such rules and regulations as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative, and amend the Bylaws for the management and regulation of the affairs of the Cooperative, subject, however, to the right of the members to alter or repeal such Bylaws.

Section 2. Makeup of the Board of Directors

Effective at the annual meeting in 2003, the board of directors shall be comprised of nine directors, eight of whom shall represent the membership through eight geographic districts and one of whom shall be a director-at-large.

Section 3. Districts

Effective at the annual meeting in 2003, geographic District 1 shall be consolidated into and become a part of District 2 and said enlarged District shall be designated District 2. Thereupon the NOVEC service area will be divided into eight geographic districts and designated as District 2 through District 9.

Section 4. Election and Tenure of Office

At the annual meeting in 2003 and at all

subsequent annual meetings, directors shall be elected by call for four-year terms or until the fourth succeeding annual meeting and until their successors shall have been elected and qualified. Directors shall be elected by a plurality vote of the members. The first class to be elected at the annual meeting in 2003 shall be constituted of one director from District 2 and one director-at-large. The second class to be elected at the annual meeting in 2004 shall be constituted of one director from each of Districts 4 and 5. The third class to be elected at the annual meeting in 2005 shall be constituted of one director from each of Districts 3, 6 and 8. The fourth class to be elected at the annual meeting in 2006 shall be constituted of one director from each of Districts 7 and 9. All members may vote for each nominee, although the nominee shall be a bona fide resident of the particular District from which the nominee is nominated.

Section 5. Qualifications for Director

As hereinabove specified, all nominees shall be bona fide residents of the particular districts from which they are nominated. Further, no member shall be eligible to become or remain a director or to hold any position of trust in the Cooperative who is not a bona fide resident in the area served by the Cooperative, or who is in any way employed by or financially interested in a competing enterprise of a business selling electric energy to the Cooperative. When a membership is held jointly by two persons, either one, but not both, may be elected a director. Nothing in this section contained shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the board of directors.

Section 6. Board of Directors Evaluation Committee

It shall be the duty of the board of directors not less than 90 days, nor more than 150 days, before the date of the next annual meeting of the members, to appoint a committee to evaluate the board of directors consisting of one member from each of the geographical districts of the Cooperative, a quorum of which shall be a majority. No officer or member of the board of directors shall be appointed a member of such committee.

The committee shall attend at least one meeting of the board of directors to observe the board in action and to study and evaluate the performance of the board of directors as a whole in the handling of the business affairs of the Cooperative. The committee shall particularly study and consider the performance of those individual directors whose terms shall expire at the next annual meeting in order to evaluate their qualifications to be directors should they seek to be nominated for additional terms.

The committee may interview any of the directors as it might desire in order to become acquainted with the individual board members and to determine their background and experience as directors of the Cooperative.

At the next annual meeting of the members, the committee shall make a report to the members evaluating the performance of the board of directors as a whole in handling the business affairs of the Cooperative, and particularly evaluating the qualifications of any incumbent directors who have been nominated for re-election.

Section 7. Nominations

Nominations for directors shall be made by any 15 or more members in writing over their signatures, said written nomination petitions to be delivered to the office of the president/CEO not less than 70 days prior to the next annual meeting. The secretary shall post the said nomination petitions at the principal office of the Cooperative and shall mail with the notice of meeting a statement of the number of directors to be elected and all the nominations made for said directorships. No additional nominations shall be made from the floor at the meeting of members.

Section 8. Vacancies

Subject to the provisions of these Bylaws with respect to the removal of directors, vacancies occurring in the board of directors may be filled by a majority vote of the remaining directors and directors thus elected shall serve until the next annual meeting of the members until their successors shall have been elected and shall have qualified.

Section 9. Compensation

Board members shall not receive any salary for their services as such, but by resolution of the board of directors a fixed sum and expenses of attendance may be allowed a director for attending each meeting of the board and for each day or portion thereof spent on Cooperative business.

The board, by resolution, may also elect to participate in a deferred compensation program which shall, over the life of the program, recover all cost incurred by the Cooperative.

Section 10. Conflict of Interest

Each individual director shall have the duty to determine when he or she has a conflict of interest in handling any particular business matter of the Cooperative; and in any such case of a conflict of interest, said director shall declare such to the board of directors and thereafter shall abstain from voting in connection with such business matter.

Article V - Meeting of Directors

Section 1. Regular Meeting

A regular meeting of the board of directors shall be held monthly at such time and place in Prince William County, Virginia, or such other place in the Commonwealth of Virginia as the board shall direct. Such regular monthly meetings may be held without notice other than a resolution fixing the time and place thereof.

Section 2. Special Meetings

Special meetings of the board of directors may be called by the Chairman or by any five directors. The person or persons calling special meetings of the board may fix the time and place, which shall be in Prince William County, Virginia, or such other county in the Commonwealth of Virginia in which the Cooperative has a service area.

Section 3. Notice

Notice of the time, place and purpose of any special meeting of the board of directors shall be given by written notice at least five days previous thereto, delivered personally or mailed to each

director at said director's last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid.

The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, unless a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. Quorum

A majority of the board of directors shall constitute a quorum for the transaction of business at any meeting of the board of directors. If less than a majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 5. Manner of Acting

The act of a majority of the directors present at a meeting of which a quorum is present shall be the act of the board of directors, except as otherwise provided in these Bylaws.

Section 6. Board Chairman

The board of directors shall elect a chairman and a vice chairman. The chairman, or vice chairman in the chairman's absence, shall preside over the meeting of the membership and the meetings of the board of directors. They shall be elected annually at the same meeting at which the officers are elected.

Article VI - Officers

Section 1. Number

The officers of the Cooperative shall be a president, a secretary, a treasurer and such other officers as may be approved by the board of directors from time to time. The offices of secretary and treasurer may be held by the same person.

Section 2. Election and Term of Office

The officers shall be elected, except for the president and such other officers as may be

approved by the board, by ballot, annually by and from the board of directors at the first meeting of the board of directors held after each annual meeting of the members. If the election of officers shall not be held at such meetings, such election shall be held as soon thereafter as conveniently may be. Each elected officer shall hold office until the first meeting of the board of directors following the next succeeding annual meeting of the members or until said officers shall have qualified, subject to the provisions of these Bylaws with respect to the removal of officers.

Section 3. Removal

Any officer or agent elected, employed 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.

Section 4. Vacancies

Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the board of directors for the unexpired portion of the term.

Section 5. President

The president shall:

- A. Be the Chief Executive Officer of the Cooperative. The board of directors shall employ the president who may be, but shall not be required to be, a member of the Cooperative;
- B. Sign, with the secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of directors or by these Bylaws to some other person to be otherwise signed or executed;
- C. In general, perform all duties incident to the office of president and shall have such other authority and such other duties as may be prescribed by the board of directors from time to time; and
- D. May appoint other officers upon advice and approval of the board of directors. Such other officers shall perform such duties as from time to time may be prescribed by the board of directors.

Section 6. Secretary

The secretary shall:

- A. Keep the minutes of the meetings of the members and the board of directors in one or more books provided for that purpose;
- B. See that all notices are fully given accordance with the Bylaws or as required by law;
- C. Be custodian of the corporate records and of the Cooperative and see that the seal of the Cooperative is affixed to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- D. Keep a register of the post office address of each member which shall be furnished to the secretary by such member;
- E. Have general charge of the books of the Cooperative in which a record of the members is kept;
- F. Keep on file, at all times, a complete copy of the Bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Cooperative forward a copy of the Bylaws and of all amendments thereto to each member; and
- G. In general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to the secretary by the board of directors.

Section 7. Treasurer

The treasurer shall:

- A. In general, perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to said treasurer by the board of directors.

Section 8. Bonds of Officers

The board of directors shall require the treasurer or any other officer of the Cooperative charged with responsibility for the custody of any of its funds or property, to give bond in such sum and with such surety as the board of directors shall determine. The board of directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

Section 9. Compensation

The powers, duties and compensation of officers, agents and employees shall be fixed by the board subject to the provisions of these Bylaws with respect to compensation for a board member.

Section 10. Reports

The officers of the Cooperative shall submit to each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

Section 11. Assignment of Duties

The officers shall have the right to assign and delegate certain of their administrative duties such as record keeping and execution of form documents, but the responsibility cannot be delegated.

Article VII - Seal

The Corporate Seal of the Cooperative shall be in the form of a circle and shall have been inscribed thereon the name of the Cooperative and the words "Corporate Seal, Virginia."

Article VIII - Not-for-profit Status

Section 1. Interest or Dividends on Capital Prohibited

The Cooperative shall at all times be operated on a cooperative not-for-profit 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 Energy

In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to

assure that the Cooperative will operate on a not-for-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and non-members alike as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, provided that in the assignment of capital credits, amounts under one dollar will be rounded to zero cents, 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/her account.

Any capital credits which are credited to the account of Northern Virginia Electric Cooperative by reason of its membership in other cooperatives may be separately assigned and credited on a pro rata basis to the aforesaid capital accounts of the patrons, provided that in the assignment of capital credits, amounts under one dollar will be rounded to zero cents, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the separate amount of capital which was allocated from any such other cooperative and thereafter credited to his/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 for capital.

All other amounts received by the Cooperative from its operation in excess of costs and expenses shall, insofar as permitted by law:

- A. Be used to offset any losses incurred during the current or any prior fiscal year; and
- B. Be to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

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 before any payments are made on account of property rights of members. If at any time prior to dissolution or liquidation, the board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to the patrons' account may be retired in full or in part.

If the board in its sole discretion shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited separately to the patrons' accounts from capital credits received from other Cooperatives may be retired and paid to the patrons in full when such capital credits are retired and paid to the Cooperative by the other cooperatives.

Notwithstanding any other provision of these Bylaws, the board at its discretion shall have the power at any time upon the death of any patron (natural person), if the legal representatives 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 capital credited to any such patron immediately upon such terms and conditions as the board, acting under policies of general applications, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

Article IX - Disposition of Property

The Cooperative may not sell, lease or dispose of any of its property (other than property which, in the judgment 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 10 per centum in value of the value of all the property of the Cooperative or merchandise), unless authorized so to do by the votes of at least a three-fourths majority of its members; provided, however, that the Cooperative may mortgage or otherwise encumber its assets by a vote of at least two-thirds of its board of directors; or may sell or transfer its assets to another cooperative upon the vote of a majority of its members at any regular meeting if the notice of such meeting contains a copy of the terms of the proposed sale or transfer; or may sell or transfer distribution system facilities to a city or town at any time following the annexation of additional territory pursuant to Section 56-265.4:2 of the Code of Virginia, 1950, as amended, by a vote of at least two-thirds of the board of directors.

Article X - Financial Transactions

Section 1. Contracts

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

Section 2. Checks, Drafts, Etc.

All checks, drafts or other orders for the payment of money and all notes, bonds or other evidence or indebtedness issued in the name of the Cooperative shall be signed and/or countersigned by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the board.

Section 3. Deposits

All funds except petty cash of the Cooperative

shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the board may select.

Section 4. 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 - Miscellaneous

Section 1. Membership in Other Organizations

The directors shall have full power and authority to authorize the Cooperative to purchase stock in or to become a member of any corporation, cooperative 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, except in case a member or board member shall attend 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 and 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 Reports

The board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the

United States of America. The board shall also, after the close of each fiscal year, cause to be made by a certified public accountant 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 the next following annual meeting.

Article XII - Donated Capital

Notwithstanding any other provisions of the Bylaws, if any member fails to claim a cash retirement of capital credits or other payment from the Cooperative within one year after the payment of the same has been made available to the member by notice or check mailed by first class mail, postage prepaid to said member's last address furnished by the member to the Cooperative, such failure shall be and constitutes an irrevocable assignment and gift by such member of such capital credit or other payment of the Cooperative to the Cooperative.

Payment shall have been deemed made available to such member upon the date of mailing of such notice or check. The failure to claim any such payment within the meaning of this section shall include the failure by such member or former member to cash any check mailed to the member by the Cooperative at the last address furnished by said member 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 member or former member without claim therefore and after further expiration of 120 days following the giving of notice by mail or publication. Following the giving of notice by mail and publication unless such payment is claimed within said 120-day period, such gift to the Cooperative shall become effective.

The notice by mail herein provided for shall be mailed by first class mail, postage prepaid by the Cooperative, to such member or former member at the last known address and notice by publication shall be two insertions in the statewide newsletter which is currently titled *Cooperative Living*. The

120-day period following the giving of such notice shall be deemed to terminate 120 days after the mailing of such notice or 120 days following the last date of publication thereof, whichever is later.

Article XIII - Indemnification

The Corporation shall indemnify any director or officer of the Corporation against expenses (including legal fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred, to the fullest extent now or hereafter permitted by law in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, brought or threatened to be brought against a person by reason of performance as a director or officer of the Corporation, its parent or any of its subsidiaries or in any other capacity on behalf of the Corporation, its parent or any of its subsidiaries.

The board of directors, by resolution adopted in each specific instance, may similarly indemnify any person other than a director or officer of the Corporation for liabilities incurred in connection with services rendered for or at the request of the Corporation, its parent or any of its subsidiaries. The provisions of this section shall be applicable to all actions, suits or proceedings commenced after its adoption, whether such arise out of acts or omissions which occurred prior or subsequent to such adoption and shall continue as to a person who has ceased to be a director or officer or to render services for or at the request of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

The rights of indemnification provided for herein shall not be deemed the exclusive rights to which any director, officer, employee or agent of the Cooperative may be entitled. The Corporation may pay the expenses incurred by any person entitled to be indemnified by the Corporation in defending a civil or criminal action suit or proceeding in advance of the final disposition of such action suit or proceeding upon receipt of an undertaking by, or on behalf of such person, to repay such amount if it

shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized by law.

Article XIV - Amendments

These Bylaws may be altered, amended or repealed at any regular meeting of the board of directors or any special meeting of the board of directors called for that purpose. Before any amendment by the board of directors may be declared adopted, it must receive a two-thirds vote of all directors in office. The power of the board of directors as to amending the Bylaws shall be subject to the right of the members to alter, amend or repeal the Bylaws at any special meeting of the members called for that purpose, provided the notice of the meeting shall have contained a copy of the proposed alteration, amendments or repeal or at any regular meeting of the members upon the petition of one percent of the members in writing over their signatures, said written petition to contain a copy of the proposed alteration, amendments, or repeal, the same to be delivered to the office of the president/CEO not less than 70 days prior to the next annual meeting and the notice of the meeting shall contain a copy of the proposed alteration, amendments or repeal.

These Bylaws are effective as of April 3, 2008.

Service Territory Map

