

REC **BYLAWS**

AS APPROVED JANUARY 31, 2017



**Rappahannock
Electric Cooperative**

A Touchstone Energy® Cooperative



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ARTICLE I MEMBERSHIP

SECTION 1: Requirements for Membership

Any person, firm, association, corporation, or body politic or subdivision thereof, or other legal entity who is able to enter into a legally binding contract will become a member of Rappahannock Electric Cooperative (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he or it has first:

- a. Provided acceptable proof of identity and agreed to be bound by the applicable rates, terms and conditions of service;
- b. Agreed to purchase from the Cooperative electric services as hereinafter specified, and
- c. Agreed to comply with and be bound by the Articles of Incorporation, as amended and restated, and Bylaws, as amended and restated, of the Cooperative and any rules and regulations adopted by the Board of Directors.

As used in these Bylaws, electric services refers to Distribution Service, which is the delivery of electricity to the customer through the distribution facilities of the Cooperative, and may also include Electricity Supply Service, which is the provision of the electricity delivered to the customer. Cooperative members must use the Distribution Services of the Cooperative for delivery of electricity to locations within the Cooperative's service area. Cooperative members may choose to receive Electricity Supply Service from other providers according to applicable laws, rules and regulations of the Commonwealth of Virginia and those adopted by the Board of Directors.

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

SECTION 2: Membership Certificates

Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors. Such certificate shall be signed by the President and by the Secretary of the Cooperative, and the

Corporate Seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid. In case a certificate is lost, destroyed, or mutilated, a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe.

SECTION 3: Joint Membership

Two individuals may apply for a joint membership and, subject to their compliance with the requirements set forth in SECTION 1 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include both individuals holding a joint membership and any provisions relating 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 joint vote;
- c. A waiver of notice signed by either or both shall constitute a joint waiver;
- d. Notice to either shall constitute notice to both;
- e. Expulsion of either shall terminate the joint membership;
- f. Withdrawal of either shall terminate the joint membership;
- g. Either but not both may be elected or appointed as an officer or Board Member, provided that the elected or appointed member meets the qualification for office.

SECTION 4: Conversion of Membership

- a. A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and the other individual to comply with the Articles of Incorporation, Bylaws, and rules and regulations adopted by the Board. Any outstanding membership certificate shall be cancelled, and a new membership certificate shall be issued by the Cooperative. The

capital credits assigned to the individual shall be transferred on the Cooperative records into the joint membership, and retirement of such capital credits shall be in accordance with Cooperative policy and these Bylaws.

- b. Upon the death of either individual who is a party to the joint membership, such membership shall be held solely by the survivor. Any outstanding membership certificate shall be cancelled, and a new membership certificate shall be issued, provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative. The capital credits assigned to the joint membership shall be transferred on the Cooperative records into the name of the survivor and retirement of such capital credits shall be in accordance with Cooperative policy and these Bylaws.

SECTION 5: Purchase of Electric Services

Each member shall, as soon as electric services are available, purchase from the Cooperative all electricity delivery services purchased for use on the premises specified in his application for membership, and shall pay for such services at rates which are from time to time fixed by the Board of Directors. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which are interconnected with Cooperative facilities, shall be subject to appropriate regulations as are fixed from time to time by the Cooperative. It is expressly understood that amounts paid for electric services in excess of the cost of service are furnished by members as capital, and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the Cooperative such minimum amount, regardless of the amount of electric services used, as are fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable, and shall not have the right to offset any debt owed to the Cooperative by capital credits accrued.

SECTION 6: Termination of Membership

- a. The membership of a member may be cancelled if that member has not purchased electric services from the Cooperative for a period of six (6) months after service is available to him.

- b. Upon the withdrawal, death, or cessation of existence of a member, the membership of such member shall thereupon terminate, and the membership certificate of such member shall be cancelled. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

SECTION 7: Provision of a Member Publication

On behalf of and for circulation to Cooperative members, the Board of Directors shall be empowered and authorized, to have produced or subscribe to a member publication for the purpose of informing the membership about the Cooperative. The cost of such member publication shall be paid for by the Cooperative.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1: Property Interest of Members

Upon dissolution of the Cooperative, after:

- a. All debts and liabilities of the Cooperative shall have been paid, and
- b. All capital furnished through patronage shall have been retired as provided in these Bylaws, then the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten (10) years next preceding the date of the filing of the certificate of dissolution.

SECTION 2: Non-liability for Debts of the Cooperative

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

ARTICLE III MEETINGS OF MEMBERS

SECTION 1: Annual Meeting

The annual meeting of the members shall be held during the month of August at such place and time within the

general area served by the Cooperative, as selected by the Board of Directors and which shall be designated in the notice of the meeting, for the purpose of electing Board members, receiving reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative. At all meetings of the Cooperative, both annual and special, "Robert's Rules of Order" newly revised (10th Edition, November 14, 2000) shall be followed.

SECTION 2: Special Meetings

Special meetings of the members may be called by resolution of the Board of Directors, or upon a written request, specifying the purpose of the special meeting, signed by any three (3) Board members, by the Chairman of the Board, by the President, or by petition of 500 or more members, with no more than the whole number equivalent of one-eighth (1/8) of the minimum of 500 members from any board region, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the general area served by the Cooperative as designated by the Board of Directors and shall be specified in the notice of the special meeting.

Notwithstanding the foregoing, any written request submitted to the Cooperative by the members for purposes of calling a special meeting shall include the following before it may be accepted by the Cooperative:

- a. Written submission to the Secretary of the Cooperative of clear and concise language regarding the purpose of the special meeting;
- b. The submission of a written petition requesting a special meeting in a form approved and provided by the Cooperative and that includes at a minimum:
 - i. original signatures (not electronic or other form) of those in support of the petition of no less than five hundred (500) members, with no more than the whole number equivalent of one-eighth (1/8) of the minimum of 500 members from any board region; and

- ii. all members signing the petition shall be current members and in good standing; and
- iii. all members signing the petition shall provide their respective full names and addresses; and
- c. The purpose for the special meeting shall be in accordance with applicable state code, the Cooperative Articles of Incorporation and these Bylaws.

SECTION 3: Notice of Members' Meetings

Written or printed notice stating the place, day, and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called shall be delivered to each member not less than twenty-five (25) days nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4: Quorum

Two and one-half (2 1/2) percent of the members, calculated based on the number of members at the time the proxy distribution list is prepared, present in person or by proxy shall constitute a quorum. If less than a quorum is present at any annual or special meeting, a majority of those present in person or by proxy may adjourn the meeting from time to time. A record of the members present in person and by proxy shall be filed with the Secretary to be kept with other records of the meeting.

SECTION 5: Voting

Each member shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person and by proxy except as otherwise provided by law, the Articles of Incorporation, or these Bylaws.

SECTION 6: Proxies

At all meetings of members, a member may vote by proxy executed by the member in writing or by other means approved by the Board of Directors. Such proxy shall be filed with the Secretary no less than two (2) days before the time of the meeting. No proxy shall be voted at any meeting of the members unless it designates the particular meeting at which it is to be voted and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. The number of proxies that any person may vote shall be unlimited except as provided in ARTICLE VIII "Disposition of Property." No proxy shall be valid after ninety (90) days from the date of its execution. The presence of a member at a meeting of the members shall revoke a proxy executed by him, and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy. In case of a joint membership, a proxy may be executed by either individual in the joint membership. Either individual in a joint membership present at a meeting of the members shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed. As to any proposed amendment to the Bylaws which is to be considered by the membership, each member shall have the right to vote by proxy for or against said proposal, all upon a proxy form caused to be prepared by the Board of Directors and timely distributed to the membership.

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, except as otherwise determined by the members at such meeting:

1. Report on the number of members present in person and by proxy in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Election of Directors.

5. Presentation and consideration of reports of officers, directors, and committees.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE IV BOARD OF DIRECTORS

SECTION 1: General Powers

A Board of Directors of not less than nine (9) nor more than thirteen (13) members shall elect the officers of the Cooperative and make policies governing the business and affairs of the Cooperative. The Board of Directors shall exercise all of the powers of the Cooperative, except such as are by law, the Articles of Incorporation, or these Bylaws conferred upon or reserved to the members.

SECTION 2: Election and Tenure of Office

Subject to below Section 2A, the Board of Directors shall consist of one (1) member from each of the ten (10) geographic regions hereafter defined in Section 2A.

All Directors' terms of election shall be for a period of three (3) years each and shall be staggered so that each year at least three (3) Directors are elected for a three-year term. The term of office for Directors from Regions I and IV shall expire in 2014, and Directors for those regions shall be elected at that time and every three (3) years thereafter. The term of office for Directors from Regions III, VI, IX, and X shall expire in 2012, and Directors for these regions shall be elected at that time and every three (3) years thereafter. The term of office for Directors from Regions II, V, VIII, and XI shall expire in 2013, and Directors for these regions shall be elected at that time and every three (3) years thereafter. The term of office for a Director shall begin at the next meeting of the Board of Directors after the meeting at which the candidate was elected.

In any election for Director, each member shall have the right to vote for the duly nominated candidate of their choice in person at the annual meeting or upon a proxy form caused to be prepared by the Board of Directors and timely distributed to the membership wherein is listed the name of each qualified candidate.

SECTION 2A: Boundaries of Regions

The boundaries of the Regions are:

Region I - The counties of Culpeper and Orange.

Region II - The counties of Fauquier, Rappahannock, Stafford, and the portion of Page County located north of state Route 211.

Region III - The counties of Albemarle, Greene, Madison, Rockingham, and the portion of Page County located south of state Route 211.

Region IV - Spotsylvania County.

Region V - Louisa County.

Region VI - The counties of Hanover and Goochland.

Region VII - The counties of Orange and Albemarle. (Please note that effective as of the completion of the 2017 annual board elections, Region VII Orange County will merge with Region I, and Region VII Albemarle will merge with Region III, and thereafter Region VII will no longer be a board election Region).

Region VIII - Caroline County.

Region IX - The counties of Essex, King and Queen and King William.

Region X - The counties of Clarke, Warren, and Shenandoah.

Region XI - Frederick County.

SECTION 3: Qualifications for Director

All nominees for Director shall be bona fide residents of the particular Region, which they would represent if elected.

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, who has been convicted of a felony or a crime of moral turpitude, who is not able to enter into a legally binding contract, who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative other than Old Dominion Electric Cooperative, or who has any conflict that may prevent him from acting in the best interest of the Cooperative. When a membership is held jointly, either individual, but not both, may be elected a Director. No current or past employee or general counsel for the Cooperative,

or spouse of a current or past employee or general counsel for the Cooperative, may serve as a Director. Nothing contained in this section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

SECTION 4: Nominations

Nominations for Directors shall be made by written petition executed by twenty-five (25) or more members who are in good standing with the Cooperative. The Secretary shall make nomination petitions available at all REC offices. Said written nomination petitions must be delivered to the office of the President not less than one hundred (100) days prior to the next annual meeting. The Secretary 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. All nominees shall be listed in the member publication in the issue prior to the annual members' meeting. No additional nominations shall be made from the floor at the meeting of members. Advance notification to the membership of the nominations procedure shall be published in the member publication, prior to the annual meeting.

SECTION 5: Removal of Directors by Members

Any member may bring charges against a Director seeking his "removal for cause" only by filing with the Secretary such charges in writing together with a supporting petition signed by at least five hundred (500) members of the Cooperative. Upon the filing of such petition with a proper allegation for removal, the Chairman of the Board, President and Secretary jointly shall call a special meeting of the members to consider the petition within sixty (60) days of the filing of such petition except that if the annual meeting shall be within ninety (90) days of the filing of such petition the matter of removal may be delayed until such annual meeting. Such Director shall be informed in writing of the charges at least thirty (30) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence with respect to the charges, and the person or persons bringing the charges against him shall have the same opportunity. The Director

may be removed "only for cause." The question of the removal of such Director shall be considered and voted upon at such special or annual meeting of the members.

Notwithstanding the foregoing, any written petition by a member to remove a Director shall include the following before it may be accepted by the Cooperative:

- a. Written submission to the Secretary of the Cooperative of clear and concise language regarding the reason(s) for the petition of removal;
- b. The submission of a written petition requesting removal of a Director shall be in a form approved and provided by the Cooperative and that includes at a minimum:
 - i. original signatures (not electronic or other form) of those in support of the petition of no less than five hundred (500) members, with no more than the whole number equivalent of one-eighth (1/8) of the minimum of 500 members from any region; and
 - ii. all members signing the petition shall be current members and in good standing; and
 - iii. all members signing the petition shall provide their respective full names and addresses; and
- c. The reason(s) for the petition as provided by the members shall be in accordance with applicable state code, the Cooperative Articles of Incorporation and these Bylaws.

SECTION 6: Removal of a Director by the Board of Directors

The Board of Directors, at any time and in good faith, pursuant to procedures established by the board, may remove any member of the Board of Directors for cause by a two-thirds vote of the board. For purposes of this Section 6, "for cause" means:

- i. the failure to perform his or her duties as set forth in these bylaws, the board's approved policy and procedures, code of conduct or other directives of the board;
- ii. the failure to maintain the standards and qualifications required by the Cooperative to be a member of the Board of Directors;
- iii. breach of any covenant or representation made to the Cooperative;

- iv. being convicted with a felony or any crime involving moral turpitude under any criminal laws;
- v. committing a deliberate act or acts deemed by the Board of Directors to be fraudulent, disloyal, dishonest, unethical, or unprofessional; or
- vi. being deemed disabled or incapacitated, including with the inability to satisfactorily perform a member's regular duties as a member of the Board of Directors as determined in the sole discretion of the board. Any disability which continues without interruption for twelve (12) months shall conclusively be deemed a total and permanent disability.

Upon any removal of a member of the Board of Directors under this section, the board may fill the board member vacancy as provided under these Bylaws.

SECTION 7: Vacancies

The Board of Directors may, by affirmative vote of a majority of the remaining Directors, fill a vacancy in the Board of Directors. The Board shall fill a vacancy only for the unexpired portion of the term of office for the Director from the region in which the vacancy exists.

SECTION 8: Compensation

The Board of Directors shall fix the compensation of Directors. No Director shall receive compensation for serving the Cooperative unless such compensation has been authorized by resolution of the Board of Directors.

SECTION 9: Indemnification and Liability of Directors and Officers

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:

- a. He conducted himself in good faith; and
- b. He believed:

- i. In the case of conduct in his official corporate capacity, that it was in the best interests of the Cooperative; and
- ii. In all other cases, that his conduct was at least not opposed to the best interests of the Cooperative; and
- iii. In the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful; or
- c. If it is determined that such liability is not a result of his willful misconduct or knowing violation of the criminal law.

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 b. of this section. Each such indemnity shall inure to the heirs, executors, and administrators of such person.

- d. 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.
- e. The indemnification provided by this article shall not be exclusive of any other rights to which any Director or officer may be entitled, including without limitation rights conferred by applicable law and any right under policies of insurance that may be purchased and maintained by the Cooperative or others, even as to liabilities against which the Cooperative would not have the power to indemnify such Director or officer under the provisions of this Article.
- f. The Board of Directors shall have the power, generally and in specific cases, to indemnify employees and agents of the Cooperative to the same extent as provided in this Article with respect to directors or officers. The Board of Directors is hereby empowered by a majority vote of a quorum of disinterested directors, to cause the Cooperative to contract in advance to indemnify any person who is not a Director or officer who was or is a party to any proceeding, by reason of the fact that he is or was

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

SECTION 10: Board Chairman and Vice Chairman

The Board of Directors shall elect a Chairman and Vice Chairman at the meeting of the Board held immediately after the annual meeting. The Chairman, or the Vice Chairman in the Chairman's absence, shall preside over the meetings of the Membership and the meetings of the Board of Directors. The Chairman shall appoint the members and the chairman of each Board committee.

SECTION 11: Standing Board Committees

There shall be five standing committees of the Board of Directors, namely Executive Committee, Human Resources Committee, Finance Committee, Annual Meeting Committee, and Bylaws Committee.

a. Executive Committee

- i. Except as otherwise provided by the Board: The Executive Committee is comprised of the Chairman, Vice-Chairman, Secretary, and Treasurer ("Executive Committee"); and
- ii. The Executive Committee: (1) is a Board committee; (2) may exercise all Board authority granted by the Board and permitted under these Bylaws; and (3) at the next Board meeting following an exercise of Board authority, must report to the Board regarding the Executive Committee's exercise of Board authority.

b. Finance Committee – The Finance Committee shall consist of members of the Board of Directors. The Chairman of the Board and the Board Treasurer shall be voting members of the Finance Committee ex officio. The primary function of the Finance Committee shall be to make recommendations relative to the auditor, review audit reports, and to consider and recommend to the Board policies to insure proper accounting and finance controls.

c. Human Resources Committee – The Human Resources Committee shall consist of members of the Board of Directors. The Chairman of the Board shall be a voting member of the committee ex officio. The primary

function of the Human Resources Committee shall be to consider and make recommendations to the Board relative to Cooperative employees' policies, procedures, compensation, and/or benefits.

d. Annual Meeting Committee – The Annual Meeting Committee shall consist of members of the Board of Directors. The Chairman of the Board shall be a voting member of the committee ex officio. The primary function of the Annual Meeting Committee shall be to consider and make recommendations to the Board for the organization and planning of the Cooperative's annual members meeting.

e. Bylaws Committee – The Bylaws Committee shall consist of members of the Board of Directors. The Chairman of the Board shall be a voting member of the committee ex officio. The primary function of the Bylaws Committee shall be to consider and recommend bylaw amendments to the Board and to periodically review the bylaws and report its analysis and recommendations to the Board.

ARTICLE V MEETINGS OF BOARD OF DIRECTORS

SECTION 1: Regular Meetings

The Board of Directors shall meet, primarily for organizational purposes, within thirty days after the annual meeting of members; if such meeting is separate from a regular monthly meeting of the Board of Directors, notice of the meeting shall be provided in accordance with Section 3 of this Article. A regular meeting of the Board of Directors shall also be held monthly at such time and place within the general area served by the Cooperative as designated by the Board of Directors. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2: Special Meetings

Special meetings of the Board of Directors may be called by the Chairman of the Board, the President, or by any three (3) Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chairman of the Board,

President or Directors calling the meeting shall fix the time and place for the meeting.

SECTION 3: Notice of Special Meetings

Written notice of the time, place, and purpose of any special meeting of the Board of Directors shall be delivered to each Director either personally, by mail, or by electronic means, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairman of the Board, the President or the Board members calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Board member at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five (5) days before the date set for the meeting. If delivered personally, such notice shall be delivered at least two (2) days before the date set for the meeting.

If delivered electronically, such notice shall be transmitted at least three (3) days before the date set for the meeting.

SECTION 4: Quorum

Five members of the Board of Directors shall constitute a quorum, provided that if less than such majority of the Board is present at said meeting, a majority of the Board members present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Directors of the time and place of such adjourned meeting. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws.

ARTICLE VI OFFICERS OF THE COOPERATIVE

SECTION 1: Officers

The officers of the Cooperative shall be a President, one (1) or more Vice Presidents, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer and such other officers as may be determined by the Board of Directors from time to time.

SECTION 2: 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 their respective responsibilities cannot be delegated.

SECTION 3: Election and Term of Office

The officers shall be elected by the Board of Directors at the meeting of the Board held immediately after the annual meeting of the members. If the election of the officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been elected. A vacancy in any office may be filled by a majority vote of the Board of Directors for the unexpired portion of the term.

SECTION 4: Removal of Officers and Agents by the Board of Directors

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board whenever, in its sole judgement, the Board determines the best interests of the Cooperative will be served thereby.

SECTION 5: President

The President shall:

- a. Be the chief executive officer of the Cooperative
- b. Sign, with the Secretary, certificates of membership, the issuance of which shall have been authorized by the Board of Directors, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- c. In general perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.
- d. In addition to all of the foregoing and any other powers provided to the President by the Board, the President may, pursuant to his or her sole discretion, designate employees of the Cooperative, without prior board approval, as Vice President or Assistant

Vice-President or other similar designation, except any such designation shall not be deemed an officer of the Cooperative as defined and provided in Article VI, Section 3 of these Bylaws. This authority shall not supersede or supplement the Board's authority as provided hereunder.

SECTION 6: Vice President

In the absence of the President, or in the event of his inability or refusal to act or if there is no Executive Vice President, the Vice President, designated by the Board, shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 7: Secretary

The Secretary and the Assistant Secretary, in the Secretary's absence, shall be responsible for:

- a. Keeping the minutes of the meetings of the members and of the Board of Directors in books provided for that purpose;
- b. Seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- c. The safekeeping of the corporate books and records and the seal of the Cooperative, and affixing the seal of the Cooperative to all certificates of membership prior to the issuance thereof, and 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. Keeping a register of the names and post office addresses of all members;
- e. Signing, with the President, certificates of Membership;
- f. Keeping on file at all times a complete copy of the Articles of Incorporation and 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, furnishing a copy of the Bylaws to any member upon request; and furnishing a copy of any amendments to all members; and
- g. Performing all general duties incident to the office of the Secretary and such other duties as from

time to time may be assigned to him by the Board of Directors.

SECTION 8: Treasurer

The Treasurer and the Assistant Treasurer, in the Treasurer's absence, shall be responsible for:

- a. Custody of all funds and securities of the Cooperative;
- b. The receipt of and the issuance of receipts for all monies due and payable to the Cooperative, and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and
- c. The general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 9: Executive Vice President

The Board of Directors may elect an Executive Vice President. The Executive Vice President shall perform all of the duties which may be assigned and the Executive Vice President shall exercise further authority as the Board of Directors may from time to time vest in him.

SECTION 10: Bonds of Officers

The Treasurer, Assistant Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds, or property shall be bonded in such sum and with such surety as the Board of Directors shall determine. The Board in its discretion may also require any other officer, agent, or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

SECTION 11: Compensation

The powers, duties, and compensation of officers shall be fixed by the Board of Directors subject to the provisions of these Bylaws.

SECTION 12: Reports

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

ARTICLE VII

NOT-FOR-PROFIT OPERATION

SECTION 1: Interest or Dividends on Capital Prohibited

The Cooperative shall at all times be operated on a not-for-profit (but may have for-profit affiliates and subsidiaries) cooperative basis for the mutual benefit of its members. 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 Services

In the furnishing of electric services 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 accounts received and receivable from the furnishing of electric services in excess of operating costs and expenses properly chargeable against the furnishing of electric services. 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 will assign by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account.

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

- a. Used to offset any losses incurred during the current or any prior fiscal year; and
- b. To the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as 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 credited to the accounts of patrons 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 of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. The Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital. The Board of Directors retains, under policies of general application, the unconditional right to refuse redemption of capital credits.

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

Notwithstanding any other provision of these Bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, who was a natural person, if the legal representatives of his 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 provisions of these Bylaws, to retire capital credited to any such patron, immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, that the financial condition of the Cooperative will not be impaired thereby.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation, Bylaws, and Terms and Conditions approved by the State Corporation Commission shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

SECTION 3: Forfeiture of Unclaimed Patronage Capital

If the Cooperative holds retired patronage capital to the credit of (i) a deceased person who has no spouse or next of kin identified in the records of the Cooperative, or (ii) a member or former member who has terminated service and who does not have a current address on file with the Cooperative, then the Cooperative shall publish notice that the Cooperative holds a patronage capital credit retirement in such person's name in at least one (1) issue of the Cooperative's member publication and in a publication of general circulation. If such credit is not claimed by such member, former member, or next of kin within 120 days of such publication, then such credits shall be deemed to have been transferred as a gift to the Cooperative and shall thereafter be the property of the Cooperative.

ARTICLE VIII

DISPOSITION OF PROPERTY

The Cooperative may not sell, lease, or otherwise dispose of all or any substantial portion of its property unless such sale, lease, or other disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds (2/3) of all of the members of the Cooperative, and on this vote no person may vote more than ten (10) proxies, and unless the notice of such proposed sale, lease, or other disposition shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors, without authorization by the members thereof shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative, provided further that the Board may, upon the authorization of a majority of those members of the Cooperative, sell, lease, or otherwise dispose of all or a substantial portion of its property to another Cooperative doing business in this State pursuant to the Code of Virginia.

SECTION 1: Cooperative Assets

No sale, lease, lease-sale, exchange or other disposition of all or a substantial portion of the Cooperative's assets to any other entity shall be authorized except in conformity with the following:

- a. If the Board of Directors looks with favor upon any proposal for such sale, lease, lease-sale, exchange or other disposition, it shall first obtain an independent appraisal as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange or other disposition and as to any other terms and conditions which should be considered.
- b. If the Board of Directors, after receiving such appraisal, determines that the proposal should be submitted for consideration by the members, it shall first give its cooperative wholesale power supplier and other distribution electric cooperatives with the same power supplier (which has not made such an offer for such sale, lease, lease-sale, exchange or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such other cooperatives, which notice shall be attached to a copy of the proposal which the Cooperative has already received and a copy of the appraisal. Such other cooperatives shall be given not less than sixty (60) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be fixed and shall be stated in the written notice given to them giving due consideration to the time required for the Rural Utilities Services' (RUS) loan approval process.
- c. If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof which meeting shall be held within sixty (60) days after the giving of such notice to the members; provided, that consideration thereof by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is held within sixty (60) days after the giving of such notice.

d. Any five hundred (500) or more members, by so petitioning the Board not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made. Notwithstanding the foregoing, any written opposition or alternative submitted to the Cooperative by the members for purposes described hereunder shall include the following before it may be accepted by the Cooperative:

- i. Written submission to the Secretary of the Cooperative of clear and concise language regarding the opposition to or alternative plan;
- ii. The submission of a written petition in opposition or supporting an alternative plan in a form approved and provided by the Cooperative and that includes at a minimum:
 - a) original signatures (not electronic or other form) of those in support of the petition of no less than five hundred (500) members, with no more than the whole number equivalent of one-eighth (1/8) of the minimum of 500 members from any board region; and
 - b) all members signing the petition shall be current members and in good standing; and
 - c) all members signing the petition shall provide their respective full names and addresses; and
- iii. The opposition to or alternative plan shall be in accordance with applicable state code, the Cooperative Articles of Incorporation and these Bylaws.

The foregoing provisions shall not apply to a sale, lease, lease-sale, exchange or other disposition to one or more other such cooperatives if the substantive effect thereof is to merge or consolidate with such other one or more cooperatives.

ARTICLE IX SEAL

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative, **Rappahannock Electric Cooperative**.

ARTICLE X FINANCIAL TRANSACTIONS

SECTION 1: Contracts

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

SECTION 2: Checks, Drafts, Etc.

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

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 financial institutions as the Board of Directors may select.

SECTION 4: Change in Rates

Written notice shall be given to the Administrator of the Rural Utilities Services of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric services becomes effective.

SECTION 5: Fiscal Year

The fiscal year of the Cooperative shall begin on the first (1st) day of January of each year and shall end on the thirty-first (31st) day of December of the same year.

ARTICLE XI MISCELLANEOUS

SECTION 1: Membership in Other Organizations

The Cooperative may upon the authorization of the Board of Directors purchase stock in or become a member of any corporation or organization organized for a purpose not in conflict with the Code of Virginia and the rules of the State Corporation Commission.

SECTION 2: Waiver of Notice

Any member, or member of the Board of Directors, may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or Director at any meeting shall constitute a waiver of notice of such meeting by such member or Director, except in case a member or Director shall attend a meeting for the expressed 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 of Directors 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 of Directors shall cause to be established and maintained a complete accounting system which, among other things, and subject to the 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 Services of the United States of America. The Board of Directors 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.

SECTION 5: Area Coverage

The Board of Directors shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who:

- a. Desire such service; and
- b. Meet all the reasonable requirements established by the Cooperative as a condition of such service.

SECTION 6: Gender

As used in these Bylaws, reference to the male gender shall include the female.

ARTICLE XII AMENDMENTS OR ALTERATIONS TO BYLAWS

SECTION 1: Amendment, Alteration or Repeal of Bylaws

The Board of Directors may adopt and/or amend these Bylaws, subject, however, to the right of the members of the Cooperative to alter or repeal such Bylaws. Any amendments to these Bylaws shall be adopted by the affirmative vote of not less than two-thirds (2/3) of the total membership of the Board of Directors at any regular or special meeting of the Board, or as applicable by an affirmative vote of not less than two-thirds of the members present in person or by proxy at any annual or special meeting of the members to alter or repeal the Bylaws. Any proposed amendment to these Bylaws by the Board of Directors shall be presented in writing to the members of the Board of Directors at least ten (10) days prior to their consideration by the Board of Directors or if to be considered by the membership, the proposed bylaw alterations or repeal shall be presented to the Secretary of the Cooperative not less than one hundred and eighty (180) days prior to the annual or special members' meeting at which they are to be considered. (This will allow time for the alterations or repeal to be distributed to the membership in the member publication.) Upon adoption, a copy of any alteration, repeal, or amendment shall be sent to each member of the Cooperative within a reasonable time after such action has been taken. (This may be accomplished through the member publication.)



**Rappahannock
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