

**BYLAWS
OF
VALLEY RURAL ELECTRIC
COOPERATIVE, INC.**

The purpose of the Valley Rural Electric Cooperative, Inc. (hereinafter called the Cooperative) is to make electric energy available to all who desire electric service and are eligible to be members and receive service at the lowest cost consistent with sound economy and good management.

**ARTICLE I
MEMBERSHIP**

SECTION 1. *Requirements for Membership.* Any person, firm, association, corporation, or body or subdivision thereof will become a member of Valley Rural Electric Cooperative, Inc. (hereinafter called the “Cooperative”) when they agree to use electric energy provided by the Cooperative or they agree to use the facilities, supplies, equipment and services furnished by the Cooperative and when they agree to comply with and be bound by the bylaws of the Cooperative and any rules and regulations adopted by the board of directors, and complete all necessary applications, agreements, easements or other documents required by the Cooperative for membership and pay all required fees to become a Member.

SECTION 2. *Limitation on Memberships.* 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 3. *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. 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 may prescribe.

SECTION 4. *Joint Membership.* Persons who qualify to be Members may hold a Joint Membership in the Cooperative. A Joint Membership may consist of a husband and

wife, persons joined in a legally recognized relationship and/or persons occupying the same location, each of who qualifies to be a Member.

a) Creating a Joint Membership. To become Joint Members of the Cooperative, qualified persons must jointly complete all of the Membership Procedures within a reasonable time of initially using, or requesting or agreeing to use the Cooperative's services, facilities, supplies and equipment. Qualified persons become Joint Members of the Cooperative ("Joint Members") and consent to being Joint Members in the same manner as Members become Members and consent to being Members. A Member may convert the Member's individual Membership to a Joint Membership with a qualified person(s).

b) Rights and Obligations of Joint Members. Except as otherwise provided in these bylaws, a Joint Member has and enjoys the rights, benefits and privileges, and is subject to the obligations, requirements and liabilities of being a Member. Joint Members are jointly and severally liable for complying with the governing documents. As used in these Bylaws, and except as otherwise provided in these Bylaws, a Membership includes a Joint Membership and a Member includes a Joint Member. For a Joint Membership:

(1) notice of a meeting provided to one Joint Member constitutes notice to all Joint Members;

(2) waiver of notice of a meeting signed by one Joint Member constitutes waiver of notice for all Joint Members;

(3) the presence; of one Joint Member or all Joint Members at a meeting constitutes the presence of one Member at the meeting;

(4) the presence of one Joint Member at a meeting waives notice of the meeting for all Joint Members;

(5) if only one Joint Member votes on a matter, signs a document, or otherwise acts, then the vote, signature or action binds the Joint Membership and constitutes one vote, signature or action;

(6) A Joint Membership shall be entitled to only one vote when electing directors or on any other matter involving the business of the Cooperative. If more than one Joint Member, who is part of a Joint Membership, votes in an election or on matters involving the business of the Cooperative, and their votes are not the same, then all of the votes of the Joint Members of that Joint Membership shall be considered null and void. If more than one Joint Member, who is part of a Joint Membership, votes in an election or on matters involving the business of the Cooperative, then their votes are

the same. Their votes shall total one vote. There shall be no fractional voting by Joint Members.

(7) except upon the failure to occupy the same residence, the suspension or termination of a Joint Member constitutes the suspension or termination of all Joint Members; and

(8) a Joint Member qualified to be a member of the Board ("Director") may be a Director, regardless of whether another Joint Member is qualified to be a Director, but if more than one Joint Member is qualified to be a Director, then only one Joint Member may be nominated for Director and/or serve as a Director.

c) Terminating a Joint Membership. Joint Members shall notify the Cooperative, in writing, of their desire to terminate a Joint Membership, and shall notify the Cooperative of how the membership will be held after the termination of the Joint Membership.

(1) if only one Joint Member remains qualified to be a Member and continues to use a Cooperative service at the same location, then the Joint Membership converts to a membership comprised of this person;

(2) if more than one Joint Member remains qualified to be a Joint Member and continues to use a Cooperative service at the same location, then the Joint Membership converts to a Membership comprised of these persons;

(3) if all Joint Members remain qualified to be Joint Members and continue to use a Cooperative service at the same location, then the Joint Membership converts to a membership of persons determined by Cooperative; and

d) Capital Credits of Joint Membership. Capital credits allocated to a Joint Membership may be paid to any one of the Joint Members. Payment of capital credits by the Cooperative shall be at the Cooperative's sole discretion, and the Cooperative shall not be liable for or subject to any claims by Joint Members as a result of the payment of capital credits to anyone of the Joint Members for the Joint Membership. Upon the death of a Member holding a Joint Membership, capital credits shall be paid to any of the remaining Joint Members.

SECTION 5. *Account Processing Fee.* Any person desiring membership in the Cooperative and/or desiring to establish electric service with the Cooperative, including the establishment of a new account with the Cooperative, shall pay an account processing fee in an amount established by the Cooperative. In order to establish a Membership, the Member shall pay a nonrefundable account processing fee in an amount which shall be set by the Board from time to time.

SECTION 6. *Purchase of Electric Service.* In accordance with the provisions of the Unincorporated Area Certified Territory Law of 1990 (15 Pa. C.S. Section 7351 et seq), each member of the Cooperative shall purchase all electric distribution services from the Cooperative. Each member shall also purchase from the Cooperative all electric power and energy used on the premises specified in the application for membership (hereinafter called “electric generation service”). All electric distribution service, or electric generation service, or both, provided by the Cooperative to the members shall be referred to in these bylaws as “electric service.”

Each member shall pay for the electric service of the Cooperative at rates which shall from time to time be fixed by the Board of Directors.

It is further expressly understood that the Cooperative will use reasonable diligence to maintain uninterrupted service but does not guarantee a constant or regular supply of electrical energy and shall not be liable for damage due to variations or cessations in such supply. Members should give immediate notice at the Cooperative office of any interruptions or irregularities in service or any known trouble, defect or accident to the supply. The Cooperative may interrupt the service to any member or members for the protection of life or property, for making repairs, changes or improvements in any part of its system for the general good of the service or safety of the public, or when in the Cooperative’s sole judgment such interruption will prevent or alleviate any emergency threatening the integrity of system, or will aid in the restoration of service. Circumstances permitting, the Cooperative will give reasonable notice of any contemplated suspension. Should service be interrupted for any of the above reasons, or should service fail by reason of any accident, strike, legal process, governmental interference or any other cause whatsoever beyond the control of the Cooperative, the Cooperative shall not be liable for damages, direct or consequential, resulting from the interruption of service.

SECTION 7. *Termination of Membership.* Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board may prescribe. The board may, by the affirmative vote of not less than two-thirds of all the members of the board, expel any member who fails to comply with any of the provisions of the bylaws or rules or regulations adopted by the board, but only if such member shall have been given written notice by the Cooperative that such failure makes him/her liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by vote of the board or by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available to him/her, has not purchased

electric service from the Cooperative, or of a member who has ceased to purchase service from the Cooperative, may be canceled by resolution of the board.

(a) Upon the withdrawal, death, cessation of existence or expulsion of a Member, the Membership of such Member shall immediately terminate. Termination of Membership in any manner shall not release a Member or his or her estate, successors or assigns, from any debts or obligations due to the Cooperative.

SECTION 8: *Grant of Easements by Members.* Each Member shall, upon being requested to do so by the Cooperative, execute and deliver to the Cooperative, grants of easements or rights-of-way over, on and under lands which lands are owned by, leased by or mortgaged to the Member, providing the request for the right-of-way is a reasonable request for the Cooperative and the easement is necessary to furnish electric service to the Member and/or other Members of the Cooperative, or necessary for the construction, operation, maintenance or relocation of the Cooperative's electric facilities.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. *Distribution of Cooperative Assets Upon Dissolution.* Upon the Cooperative's dissolution: (1) the Cooperative shall pay, satisfy or discharge all Cooperative debts, obligations and liabilities; (2) the Cooperative shall retire and pay all capital credits allocated to patrons and former patrons; and (3) after paying, satisfying or discharging all Cooperative debts, obligations and liabilities, and after retiring and paying all capital credits and to the extent practical the cooperative shall then pay or distribute any remaining Cooperative assets, and any amounts received from selling any remaining cooperative assets, to current Members pro rate based on current Members' aggregate capital credits at the time of dissolution. Any debts or obligations of the Members to the Cooperative shall reduce the distribution of the distribution received by the Members having debts or obligations to the Cooperative by the amount of the debt or obligation existing at the time of the distribution of the remaining property and assets of the Cooperative.

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
MEETING OF MEMBERS

SECTION 1. *Annual Meeting.* The annual meeting of the members shall be held during the month of March or April of each year beginning with the year 1972 at such a place within a county served by the Cooperative, as selected by the Board of Directors and which shall be designated in the notice of the meeting, for the purpose of electing board members, passing upon 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.

SECTION 2. *Special Meeting.* Special meetings of the members may be called by resolution of the Board of Directors, or upon a written request signed by any six board members, by the Chairman of the Board, or by ten per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties served by the Cooperative, as designated by the Board of Directors, and shall be specified in the notice of the special meeting.

SECTION 3. *Notice of Members' Meetings.* Written or printed notice stating the place, day and hour of the meeting and in case of the 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 not less than ten (10) days nor more than thirty (30) 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, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his/her 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.* One Hundred Fifty (150) members present in person shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present may adjourn the meeting from time to time without further notice.

SECTION 5. *Voting.* Each member, or joint members together, shall be entitled to one and only one 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 except as otherwise provided by law, the articles of incorporation or these bylaws.

SECTION 6. *Proxies.* Voting by proxy shall not be permitted.

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 in order to determine the existence of a quorum.
- 2) Reading of unapproved minutes of previous meetings of the Members and the taking of necessary action thereon. The reading of the minutes may be dispensed of by a vote of the Members then present.
- 3) Election of board members.
- 4) Presentation and consideration of reports of officers, directors and committees.
- 5) Unfinished business.
- 6) New business.
- 7) Adjournment.

ARTICLE IV BOARD OF DIRECTORS

SECTION 1. *General Powers.* The business and affairs of the Cooperative shall be managed by a board of nine (9) directors which 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. *Districts.* The territory served by the Cooperative shall be divided into nine (9) districts. Each district shall be represented by one (1) director. The nine (9) existing districts are comprised of the following townships:

- District #1 - Woodbury, Huston, North Woodbury, Taylor and Blair Townships in Blair County. Bloomfield Township in Bedford County.
- District #2 - Wayne, Oliver and Granville Townships in Mifflin County. Brady, Henderson, Juniata, Union and Smithfield Townships in Huntingdon County.
- District #3 - Walker, Todd, Penn, Lincoln, Hopewell and Carbon Townships in Huntingdon County and Liberty Township in Bedford County.
- District #4 - Shirley, Cromwell, Clay, Springfield and Cass Townships in Huntingdon County.
- District #5 - Jackson, Miller, Oneida, Barree, West, Logan, Warriors Mark, Spruce Creek, Morris and Porter Townships in Huntingdon County and Harris Township in Centre County.
- District #6 - Juniata, Freedom and Greenfield Townships in Blair County. Pavia Township in Bedford County.
- District #7 - Dublin, Taylor, Todd, Licking Creek, Ayr, Bethel and Belfast Townships in Fulton County. Metal and Peter Townships in Franklin County.
- District #8 - Beale, Spruce Hill, Tuscarora, Turbett and Lack Townships in Juniata County. Tell and Dublin Townships in Huntingdon County.
- District #9 - Tyrone, Allegheny, Frankstown and Catherine Townships in Blair County.

The Board of Directors may review the composition of the districts from time to time and reconstitute the districts if the Board determines that such a reconstitution of the districts is required for the best interests of the Cooperative.

SECTION 3. *Qualifications.* No person shall be eligible to become or remain a board member of the Cooperative who:

- (a) is not a member and bona fide resident of the particular district which he/she is to represent;
- (b) is in any way employed by or financially interested in a competing enterprise or a business selling electric energy, or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative;
- (c) no person who is a former employee of Valley Rural Electric Cooperative, Inc., or a spouse of a former employee of Valley Rural Electric Cooperative, Inc., may seek to become a new member of the Board.
- (d) who fails to attend at least fifty percent of the meetings of the Board of Directors in any one calendar year or is absent from any three consecutive

meetings of the Board of Directors, unless these absences or failures to attend are excused by the Board of Directors.

- (e) does not maintain and occupy, as a full-time resident, property served by the Cooperative and which is located within the district which he/she is to represent.
- (f) does not obtain a portion of their electric service from Valley Rural Electric Cooperative, Inc.
- (g) has been convicted or pled guilty of a felony.
- (h) is a close relative of an employee or current Director.
- (i) is unwilling to acquaint themselves in and about the business workings and affairs of the Cooperative or is unwilling to attend state and national programs.

Upon a determination by the Board, and a vote of the Board, that a Board Member is holding office in violation of any of the foregoing provisions, or, has failed to meet the requirements set forth in the foregoing provisions, the Board Member shall be automatically terminated from his/her position as a Member of the Board of Directors of Valley Rural Electric Cooperative, Inc. without further vote of the Board of Directors. This termination shall be effective as of the vote which determines that the Board Member is holding office in violation of any of the foregoing provisions or has failed to meet the requirements set forth in the foregoing provisions. The Secretary of the Board shall send written notice of the actions of the Board, determining that the Board Member is holding office in violation of the foregoing provisions, or has failed to meet the requirements of the foregoing provisions, to each Member of the Board of Directors of Valley Rural Electric Cooperative, Inc.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the board.

SECTION 4. *Age Limitations.*

- (a) No person may seek election to the Board of Directors, who is not then serving as a Director, who is age 69 or older.
- (b) No person may seek re-election as a Director after they have attained the age of 75.
- (c) These limitations do not apply to any persons who are Directors on January 1, 2017.

SECTION 5. *District Representation.* The territory served or to be served by the Cooperative shall be divided by the Board of Directors into not more than nine districts. Each district shall be represented by one Board Member. Directors shall be elected by a plurality of the Members present and voting in person at the Annual Meeting. Candidates for directorship shall be those Members who meet the qualifications of Article IV, Section 3 of these Bylaws, and who are nominated in accordance with the provisions of Article IV, Section 5.

SECTION 6. *Nominations.* It shall be the duty of the Board of Directors to call, not less than sixty (60) days or more than ninety (90) days before the date of a meeting of the members at which directors are to be elected, a separate meeting of the members of each district at a suitable place in such district for the purpose of selecting a candidate or candidates for the board to represent the members. The procedures to be followed in such meeting in the process of nominating shall be set forth from time to time by the Board of Directors in compliance with the democratic principles of the Cooperative. The chairperson of the Nominating Meeting may receive nominations from the floor. No Member may nominate more than one candidate.

Any incumbent board member who has been nominated will appear in the first position on the ballot. The rest of the candidates appearing on the ballot for the district shall draw numbers to determine their position on the ballot.

No nominations from the floor shall be permitted at the Annual Meeting.

SECTION 7. *Vacancies.* Subject to the provisions of these Bylaws with respect to the fillings of vacancies caused by the removal of Board Members by the Members, a vacancy occurring on the Board may be filled at the discretion of the Board. A new Director may be selected by a majority vote of the remaining Board Members. The new Director shall serve the balance of the unexpired term of the Director whose position is vacant.

SECTION 8. *Close Relative.* The term “close relative” means an individual who:

- (1) through blood, law or marriage is a spouse, child, stepchild, father, stepfather, mother, stepmother, brother, stepbrother, half-brother, sister, stepsister, half-sister, grandparent, grandchild, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law or daughter-in-law; or
- (2) resides in the same residence.

An individual qualified and elected, designated or appointed to a position does not become a close relative while serving in the position because of a marriage or legal action to which the individual was not a party.

SECTION 9. *Compensation.* Board members shall receive a monthly retainer in an amount which shall be set by the Board from time to time. Board members shall not receive any other payment or salary for their services as such, except that by resolution of the Board of Directors a fixed sum to compensate expenses incurred by the Directors may be allowed for each day or a portion thereof spent on Cooperative business, such as attendance at meetings, conferences, training programs, or performing committee assignments when authorized by the Board. In addition, and if authorized by the Board, Board members may be reimbursed any out-of-pocket expenses actually and necessarily incurred by Board members in carrying out Cooperative business.

No Board Member, or a close relative of a Board Member, shall be hired or paid as an employee of the Cooperative while serving as a Board Member. No Board Member, or a close relative of a Board Member, shall enter into any contracts to provide services to the Cooperative while serving as a member of the Board.

SECTION 10. *Personal Liability of Directors.* A director of the Cooperative shall not be personally liable for monetary damages as such for any action taken, or any failure to take any action unless:

- 1) the director has breached or failed to perform the duties of his/her office under The Electric Cooperative Law of 1990: and
- 2) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

This section shall not apply to (1) the responsibility or liability of a director pursuant to any criminal statute or (2) the liability of a director for payment of taxes pursuant to local, State or Federal law.

SECTION 11. *Indemnification.* (a) Subject to the limitations hereinafter set forth, the Cooperative shall indemnify any director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the Cooperative or otherwise, by reason of the fact that he/she was a director, officer, employee or agent of the Cooperative, to the fullest extent permitted by law, including without limitation indemnification against expenses (including attorneys' fees and disbursements), damages,

punitive damages, judgments, penalties, fines and amounts paid in settlement incurred by such person in connection with such proceeding, but such indemnification can be made only if a Determination is made as hereinafter provided that such indemnification should be made. Such indemnification shall not impair any other right any such person may have.

(b) Said indemnification can be made only if a Determination has been made, with the advice of Counsel for the Cooperative, by members of the Board of Directors not involved in the claim or proceeding: (1) that the director, officer, employee or agent acted or failed to act, and in either case, in good faith, and in a manner he/she reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and with respect to any criminal action or proceeding, had no reasonable cause to believe his/her conduct was unlawful, and (2) that the amount of the proposed indemnification is reasonable, and (3) that the proposed indemnification is just and proper and can be legally made by the Cooperative under then existing law, and (4) that the indemnification shall be made by the Cooperative in an amount stated in the Determination; provided, however, that the indemnification provided for herein shall not be available if the act or failure to act giving rise to the claim for indemnification has been determined by a court to have constituted willful misconduct or recklessness.

SECTION 12. *Advance Payment of Expenses.* Expenses incurred by a director, officer, employee or agent of the Cooperative in defending a civil or criminal action, suit or proceeding shall be paid by the Cooperative 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/she is not entitled to be indemnified by the Cooperative.

SECTION 13. *Insurance or Indemnification Fund.* To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the Cooperative may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the Board of Directors shall deem appropriate.

SECTION 14. *Exclusivity.* All rights of indemnification under this Article, shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any statute, agreement, vote of members,

or disinterested directors or otherwise. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall continue as to a person who has ceased to be a director, officer, employee or agent in respect of matters arising prior to such time, and shall inure to the benefit of the heirs, executors and administrators of such person.

SECTION 15. *Removal of Directors by Directors.* The Board of Directors may remove a Director from office by an affirmative vote of at least five (5) Directors. A Director may be removed by the Board of Directors for conduct which is fraudulent, illegal, or unethical and which is harmful to the Cooperative. Additionally, a Director may be removed if the Board of Directors determines that the conduct of the Director being removed is such as would irreparably harm the reputation and integrity of the Board of Directors and/or the Cooperative. No Director may be removed because of a disagreement between Board Members on legitimate issues to be determined by the Board of Directors, and no Director may be removed for the purpose of gaining a voting advantage on any issue or group of issues legitimately being considered by the Board.

SECTION 16. *Director Terms.* As except otherwise provided in these Bylaws, a Director's term is three years or until a successor Director is elected and takes office. A Director's term begins immediately after adjournment of a Member Meeting at which the Director is elected. A Director's term ends immediately after the adjournment of the Member Meeting at which the successor Director is elected, or upon the death of the Director, or upon the resignation of the Director, or upon removal of the Director by action of the Board or members, whichever occurs first. The Cooperative must stagger Director terms by dividing the total number of authorized Directors into three groups of three.

SECTION 17. *Director Resignation.* A Director may resign at any time. To resign, a Director must sign and deliver a written notice of resignation to the Board or Secretary. Except as a later date is otherwise provided in a written notice of resignation, a Director's resignation is effective when the Board or Secretary receives the written notice of resignation. If a Director's resignation is effective at a later date than the date of delivery of written notice of resignation, the Board of Directors may act to fill the remaining term of the Director after the Director's effective date of resignation. This action may be taken prior to the effective date of resignation as long as the action is taken after delivery of written notice of the resignation.

SECTION 18. *Director Conduct.* a) Director Standard of Conduct. A Director is not deemed a trustee regarding the Cooperative or property held or administered by the Cooperative, including property potentially subject to restrictions imposed by the property's donor or transferor. A Director shall discharge the Director's duties, including duties as a Board Committee Member:

- (1) in good faith;
- (2) in a manner the Director reasonably believes to be in the Cooperative's best interest;
- (3) when becoming informed in connection with the Director's decision-making function or devoting attention to the Director's oversight function, with the care that an individual in a like position would reasonably believe appropriate under similar circumstances;
- (4) in a manner in which the Director discloses or causes to be disclosed to other Directors or Board Committee Members information not known by them, but known by the Director to be material to discharging their decision-making or oversight functions, except that disclosure is not required to the extent that the Director reasonably believes that disclosure would violate a duty imposed under law, a legally enforceable obligation of confidentiality, or a professional ethics rule; and
- (5) maintaining confidentiality as to the business and actions of the Board of Directors when such confidentiality is in the best interest of the Cooperative.

(b) Director Reliance on Others. Unless a Director has knowledge making reliance unwarranted, then in discharging the Director's duties, including duties as a Board Committee Member, the Director may rely: (1) on the performance by any of the following individuals listed in A or C to whom the Board has formally or informally delegated the authority or duty to perform one or more of the Board's delegable functions; and (2) upon information, opinions, report, or statements, including financial statements and other financial data, prepared or presented by any of the following individuals:

A) one or more Cooperative Officers or employees whom the Director reasonably believes to be reliable and competent in the functions performed or the information, opinions, reports or statements provided;

B) legal counsel, public accountants, or other individuals retained by the Cooperative regarding matters involving skills or expertise the Director reasonably believes are matters within the individual's professional or expert competence and as to which the individual merits confidence; and

C) a Board Committee of which the Director is not a member if the Director reasonably believes the Board Committee merits confidence.

ARTICLE V MEETING OF BOARD OF DIRECTORS

SECTION 1. *Regular Meetings.* A regular meeting of the board shall be held monthly at such time and place within one of the counties served by the Cooperative as designated by the Board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. *Reorganization Meeting of the Board.* The Board shall reorganize and elect Board Officers at the first regular Directors Meeting following the Annual Meeting unless the Board calls a special meeting for any purpose, including, but not limited to, reorganization of the Board prior to the next regular meeting of the Board following the Annual Meeting.

SECTION 3. *Special Meeting.* Special meeting of the Board may be called by the Chairman of the Board or by any three (3) board 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 or board directors calling the meeting shall fix the time and place for the holding of the meeting, which shall be held in one of the counties served by the Cooperative.

SECTION 4. *Notice of Directors' Meetings.* Written notice of the time, place and purpose of any special meeting of the board of directors shall be delivered not less than three (3) days previous thereto, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairman of the Board or the directors calling the meeting, to each director. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his/her address as it appears on the records of the Cooperative, with postage which is thereon prepaid.

SECTION 5. *Quorum.* A majority of the board of directors shall constitute a quorum provided, that if less than such majority of the directors is present at said meeting, a majority of the directors 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 the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

ARTICLE VI OFFICERS

SECTION 1. *Number.* The officers of the Cooperative shall be a Chairman of the Board, Vice-Chairman of the Board, secretary, treasurer, and such other officers as may be determined by the board from time to time.

SECTION 2. *Election and Term of Office.* The Officers of the Board shall be elected annually by ballot at the meeting of the Board which follows the Annual Meeting of the Members in accordance with these Bylaws. Each Officer shall hold office until the next Reorganizational Meeting following the next succeeding Annual Meeting of the Members or until his/her successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 3. *Removal of Officers and Agents by Directors.* Any officer or agent elected or appointed by the Board of Directors may be removed from office or their position as agent by the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby.

SECTION 4. *Chairman of the Board.* The Chairman of the board shall:

- a) be the principal executive officer of the Cooperative and, unless otherwise determined by the members of the board, shall preside at all meetings of the members and the board;
- b) sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by the board or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board 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 Chairman of the Board and such other duties as may be prescribed by the board from time to time.

SECTION 5. *Vice-Chairman of the Board.* In the absence of the Chairman of the Board or in the event of his inability or refusal to act, the Vice-Chairman of the Board shall perform the duties of the Chairman of the Board, and when so acting shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board. The Vice-Chairman of the Board shall also perform such other duties as from time to time may be assigned to him by the board.

SECTION 6. *Secretary.* The Secretary shall have the authority to oversee and delegate the following responsibilities and actions:

- a) keeping the minutes of the meetings of the members and of the board 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 issue 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 Chairman of the Board, certificates of membership, the issue of which shall have been authorized by the board or the members;
- 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 and of all amendments thereto any member upon request; and
- g) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him/her by the board.

SECTION 7. *Treasurer.* The Treasurer shall have the authority to oversee and delegate the following responsibilities and actions:

- 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/her by the board.

SECTION 8. In the absence of the Secretary of the Board or in the event of the Secretary's inability or refusal to act, the Vice Chairman shall serve as Secretary.

SECTION 9. In the absence of the Treasurer of the Board or in the event of the Treasurer's inability or refusal to act, the Vice Chairman shall serve as Treasurer.

SECTION 10. *President and CEO.* The Board shall appoint a President and CEO who may be, but who shall not be required to be, a member of the Cooperative. The President and CEO shall perform such duties and shall exercise such authority as the board may from time to time vest in him/her.

SECTION 11. *Compensation.* The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Directors.

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 NON-PROFIT OPERATION

Definition: The word "Patron" as used in this Article VII of these bylaws shall be defined as including all members of the Cooperative, the Commonwealth of Pennsylvania and all bodies politic who purchase electric service from the Cooperative.

SECTION 1. *Interest or Dividends on Capital Prohibited.* The Cooperative shall at all times be operated on a Cooperative non-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 service, the Cooperative's operation shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the

Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric service in excess of operating costs and expenses properly chargeable against the furnishing of electric service. All such amounts in excess of operating costs and expenses at the moment of receipts by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron and shall make the patrons' capital account balance available upon request. 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 operations in excess of costs and expenses shall, insofar as permitted by the 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 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 then 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.

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, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions 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/her 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 such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representative of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office. In order to satisfy unpaid electric bills of members or former Cooperative members, the Board of Directors shall have the authority to establish policy whereby the Cooperative may apply the former members' capital credits of record towards the outstanding amount owed.

ARTICLE VIII DISPOSITION OF PROPERTY

SECTION 1. *Mortgage or Encumbrance of Property.* The Board of Directors of the Cooperative shall have the power and authority to authorize the mortgage or encumbrance of all, or a substantial portion of its property, including real property. The Board of Directors shall have the power and authority to authorize the execution and delivery of a mortgage or mortgages upon, or the pledging or encumbrances of any and 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, upon all such terms and conditions as the Board shall determine to secure any indebtedness of the Cooperative to the United States of America or an instrumentality or agency thereof; or to any financial institution.

SECTION 2. *Sale, Lease or other Disposition of Property.* The Board of Directors of the Cooperative shall have the power and authority to authorize the sale, lease, exchange or otherwise dispose of the property of the Cooperative, including real property, providing, however, that the Board may authorize the sale, lease, lease-sale, exchange or otherwise dispose of all, or substantially all, of the Cooperative's property and/or assets only when authorized by the affirmative vote of two-thirds of all the members of the Cooperative. All, or substantially all, of the Cooperative's property means an amount of property which would interfere with the operation of the

Cooperative as an electric distribution cooperative, or impair the Cooperative's ability to operate as an electric distribution cooperative.

**ARTICLE IX
SEAL**

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

**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 resolution of the board of directors.

SECTION 3. *Deposits.* All funds except petty cash of the Cooperative shall be deposited from time to time to 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 Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided, however, that the Cooperative may upon the authorization of the board, purchase stock in or become a

member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification.

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 the 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. 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.

SECTION 5. *Area Coverage.* The board shall make diligent effort to see that the electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

ARTICLE XII AMENDMENTS

These bylaws may be altered or amended by the affirmative vote of not less than two-thirds (2/3) of the members of the board present at any regular or special meeting.