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Amended 12/13/06
Amended 12/17/08
Amended 3/2010
Amended 3/20/15

BY-LAWS
of
COVENANT WOODS
A Virginia Nonstock Corporation

ARTICLE I

NAME

The name of the corporation is Covenant Woods (hereinafter referred to as the "Corporation").

ARTICLE II

PURPOSES

The purposes of the Corporation shall be as follows:

A. Purpose. The purposes for which the Corporation is organized is to perform in the Commonwealth of Virginia the providing of services and facilities to meet the special needs of the elderly, including without limitation, the services of providing a continuing care retirement

community in which elderly men and women of respectable character may be provided a comfortable home and health care.

B. Non-Profit and Non-Political. The Corporation is not formed for financial gain, and no part of the assets, income, or profit of the Corporation is distributable to, or inures to the benefit of its directors, officers, or other persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered to and for the Corporation affecting one or more of its purposes and benefits and to make payments and distributions in furtherance of its charitable purpose. No substantial part of the activities of the Corporation shall be for propaganda or attempting to influence legislation. The Corporation shall not participate in any political campaign on behalf of or in opposition to any candidate for public office or any political cause (including the publication or distribution of statements).

Notwithstanding any other provision of these articles, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under the section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under sections 170(c), 2055 and 2522 of the Internal Revenue Code, or the corresponding section of any future federal tax code.

In the event of dissolution of the Corporation, its assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any assets not so disposed of shall be disposed of by a court of competent jurisdiction of the city or county in which the principal office of the Corporation is then located, exclusively for such purposes or to such

organization or organizations, as the court shall determine, which are organized and operated for such purposes.

ARTICLE III

REGISTERED AGENT AND REGISTERED OFFICE

The address of the registered office of the Corporation is 7090 Covenant Woods Drive, Mechanicsville, VA 23111. The name of the County in which the registered office is located is Hanover County, VA. The name of the registered agent is Erik K. Mauritsen, who a resident of Virginia, an officer of the Corporation, and whose business office is identical to the registered office of the Corporation. The Board of Directors may change the registered agent at any time by resolution.

ARTICLE IV

CORPORATE SEAL AND FISCAL YEAR

The corporate Seal and Fiscal Year shall be as follows:

A. Corporate Seal. The seal of the Corporation shall consist of a circular design with the words "Covenant Woods" around the top margin thereof, the words "Established 1883" at the bottom and a tree in the center thereof.

B. Fiscal Year. The fiscal year of the Corporation shall begin on April 1, and end on March 31.

ARTICLE V

BOARD OF DIRECTORS

The Board of Directors shall be elected by the present Board of Directors and shall then maintain itself as follows:

A. Number of Directors. The Board of Directors shall consist of twenty-one (21) voting members and a single non-voting ex officio member as described in Section C below. Subject to the provisions at the end of this Section A, and excluding the ex officio director, it is the goal of the Corporation that at all times: (1) At least fourteen of the voting Directors are members of either the United Methodist Church or the Presbyterian Church, the number of each should be approximately equal; (2) No more than seven voting Directors may be members of other religious denominations; and (3) the number of male and female Directors be approximately even. This goal is intended to provide diverse, quality membership on the Board, and to reflect and perpetuate the historical connections of the Corporation with the United Methodist and Presbyterian Church churches.

B. Term of Office. The term of office of each voting director shall be three (3) years. Seven (7) voting directors shall be elected annually by the voting members of the Board then serving. Accordingly, with staggered three (3) year terms, there shall be a regular election of a group of seven (7) voting directors each year, which election shall take place at the Annual Meeting of the Board of Directors. Each voting director shall hold office until the election of his or her successor. Any voting director may resign at any time. Vacancies occurring among the voting directors may be filled by the Board of Directors at any meeting of the Board of Directors. No voting director may be elected to more than two (2) consecutive full three (3) year terms. Such person shall be eligible for re-election to the Board of Directors after a one (1) year break in service. Notwithstanding the provision of the preceding two sentences, from time to time in order to provide continuity and/or expertise on projects or other pertinent business, the Board of Directors is empowered to make exceptions regarding term limitations to extend the tenure of a voting director or directors. Any voting director may be removed from office at any

time upon a vote of at least two-thirds (2/3) of the members of the Board of Directors. Any Director elected and serving in the position of Chair or immediate past-Chairman shall have his or her term of office extended until the end of his or her service as Chairman or immediate past-Chairman.

C. Ex Officio Non-Voting Director. In addition to the voting directors, the Chairman of the Residents' Council at the facility operated by the Corporation shall be a non-voting ex officio director. Such director shall serve in such capacity only so long as he or she is Chairman of the Residents' Council and any successor as Chairman of the Residents' Council shall immediately succeed to the position as ex officio director. Such ex officio director shall be entitled to attend and speak at all regular meetings of the Board of Directors but shall not be entitled to attend any meetings of the Board of directors wherein the Board is meeting in executive session.

D. Regular Meetings. Regular meetings shall be held at Covenant Woods on a quarterly basis (March, June, September and December) or at such other times and places as may be decided by the Board of Directors.

E. Annual Meeting. The Annual Meeting shall be the regular meeting occurring in the last calendar month of the fiscal year.

F. Special Meetings. Special meetings of the Directors may be called by the Chairman or the Board of Directors and shall be held at such times and such places as the person or persons calling the meeting shall designate.

G. Notice of Special Meetings. Notice of a Special meeting shall be given to each director by delivering the notice to the director at the director's residence or business address (or such other place as the director may have directed in writing) by electronic mail, mail, fax, or

messenger, or other means of written communication. Notice may also be given to a director by telephone. Notice must be given at least seventy-two (72) hours before the meeting, if practicable, but in no event less than twenty-four (24) hours before the meeting. Notice to any director may be waived by such director in writing at any time.

H. Quorum. A majority of the voting directors shall constitute a quorum for the transaction of the business of the Corporation except where the laws of the Commonwealth of Virginia require the affirmative vote of more than such a percentage, in which special event the percentage required thereby shall constitute a quorum. If in any meeting there be in attendance less than a quorum, those in attendance may adjourn the meeting.

I. Action Without Meeting. Action required or permitted to be taken at a Board of Directors meeting may be taken without a meeting if the action is taken by all voting members of the Board and if the action is evidenced by written consents stating the action taken, signed and dated by each voting director, either before or after the action taken, and delivered to the secretary for inclusion in the corporate minutes.

J. Agenda. An agenda shall be mailed to the address of record of each director prior to the next meeting of the Board of Directors. The agenda is not meant to be limiting in any way but, rather, is to serve as a guideline for discussion at the meeting. New business and matters not on the agenda may be addressed at the board meeting for discussion and vote.

K. Compensation. There shall be no salary or other compensation paid to any director of the Corporation on account of any services rendered by the director in the director's capacity as an officer or director, nor shall any director receive any honorarium or other compensation for services rendered to the Corporation as such officer or director other than reimbursement for any actual expenses incurred on behalf of the Corporation. Nothing herein

contained shall, however, preclude the employment of the services of any firm or corporation in which any director may own an interest, provided that such director shall not participate in the authorization thereof.

L. Bond. The Board of Directors may require at any time that any director or officer furnish a bond satisfactory to the Board of Directors. The cost of the premium shall be paid by the Corporation.

ARTICLE VI

OFFICERS

The election, duties and powers of the officers of the Corporation shall be as follows:

A. Officers. Officers of the Corporation shall be the Chairman, the Vice Chairman, the President/CEO, one or more vice presidents, the Secretary, the immediate past-Chairman, Chief Financial Officer, and, in the discretion of the Board of Directors, such other officers and assistant officers as may be deemed necessary or advisable to carry on the Corporation's business. The Chairman, the Vice Chairman, the Secretary and the immediate past-Chairman shall be members of the Board of Directors. Such officers shall serve for a one year term and are eligible for re-election for two additional one year terms. They shall hold office until their successors are chosen and have qualified, unless they are sooner removed from office as provided in these Bylaws.

B. Vacancies. When a vacancy occurs in one of the offices by death, resignation or otherwise, it shall be filled by the Board of Directors. The officer so selected shall hold office until his or her successor is chosen and qualified.

C. Removal of Officers. Any officer of the Corporation may be removed, with or without cause, by a majority vote of the Board of Directors then present at any meeting of the Board of Directors.

D. Chairman: Powers and Duties. The Chairman shall preside at all meetings of the Board of Directors, shall discharge the duties of a presiding officer, shall chair the Executive Committee, shall appoint all committee chairmen and shall perform whatever other duties the Board of Directors may from time to time prescribe.

E. Vice Chairman: Powers and Duties. The Vice Chairman shall, in the absence or disability of the Chairman, perform the duties and exercise the powers of the Chairman. The Vice Chairman also shall perform whatever duties and have whatever powers the Board of Directors may from time to time prescribe.

F. President/CEO. The powers and duties of the President/CEO shall be as set forth in Article VIII.

G. Secretary: Powers and Duties. The Secretary shall attend all meetings of the Board of Directors and shall keep or cause to be kept a true and correct record of the proceedings of those meetings. The Secretary shall keep the corporate seal of the Corporation, and when directed by the Board of Directors, shall affix it to any instrument requiring it. The Secretary shall give, or cause to be given, notice of all meetings of the Board of Directors and shall perform whatever additional duties the Board of Directors or the Chairman may from time to time prescribe.

H. Immediate past-Chairman. The immediate past-Chairman is advisory in nature and provides access to background information to the new Board Chairman, and other support as needed.

I. Chief Financial Officer. The Chief Financial Officer shall be the Corporation's Chief Financial Officer and shall, subject to the direction of the President/CEO, prepare and maintain accounts and other appropriate financial statements and information and provide regular reports thereon to the Board of Directors.

J. Delegation of Duties. Whenever an officer is absent or whenever for any reason the Board of Directors may deem it desirable, the Board may delegate the powers and duties of an officer to any other officer or officers or to any director or directors.

ARTICLE VII

STANDING AND SPECIAL COMMITTEES

In addition to the Executive Committee and Governance Committee, the Board of Directors may create one or more committees to assist the Board of Directors in carrying out its duties. The Board of Directors shall have the authority to create standing and special committees as follows:

A. Committees. The Board of Directors may create such standing committees, consisting of three or more persons, as it may deem necessary to promote the purposes and carry on the work of the Corporation. The chairman of each standing committee shall be appointed by the Chairman. The term of each chairman shall be one (1) year and until the election and qualification of the chairman's successor. The power to form special committees and appoint their members rests with the Chairman. The Chairman shall be a member ex-officio of all committees except the Governance and Audit Committees.

B. Executive Committee. The Executive Committee shall be composed of all officers of the Corporation who are Directors and the chairmen of the Audit Committee, Finance

Committee, Strategic Planning Committee, Quality Oversight Committee, Governance Committee and Development Committee, if such committee(s) then exists, plus one at-large Director (appointed by the Chairman), to provide the Executive Committee with at least nine (9) members. If at any time the Executive Committee has fewer than nine (9) members, the Executive Committee shall make such recommendation to the Board of Directors as to additional members as it shall determine, and the Board of Directors shall by a resolution appoint such additional members as it may determine for a term of not more than two years. The Chairman of the Corporation shall be chairman of the Executive Committee. The Executive Committee shall be vested with full and complete authority with respect to the business and affairs of the Corporation except that it shall not without the approval of the Board of Directors: (1) fill vacancies on the board or on any of its committees; (2) amend the Articles of Incorporation pursuant to Virginia Code Section 13.1-885 (allowing amendment of the Articles of Incorporation by the Board of Directors); (3) adopt, amend, or repeal the Bylaws; (4) approve a plan of merger; (5) sell the assets of the Corporation other than in the regular course of business; (6) dissolve the Corporation; or any other actions specified in Virginia Code Sections 13.1-869, 13.1-885, 13.1-895, 13.1-900, 13.1-903 (or the equivalent sections of any code of law subsequently enacted by the Commonwealth of Virginia) or any actions otherwise prohibited by law. The Executive Committee shall keep minutes of its meetings, which minutes shall be presented to the next regularly scheduled meeting of the Board of Directors.

C. Governance Committee. The Governance Committee shall nominate and recommend to the Board of Directors a slate of persons to serve as officers of the Corporation and Directors of the Corporation, consistent with the provisions of Section V(A). In addition,

this committee is responsible for Board development, administering the annual Board self-evaluation, Board education, as well as Board policy development.

D. Audit Committee. This committee shall report directly to the Board; consist of the CFO and three (3) Board members, one of whom is recommended to be a CPA but at a minimum be well versed in the audit process; reviews the organizational Form 990, commenting prior to the distribution of the Form 990 to the entire Board for their review; and will have the responsibility for recommending the selection of auditors, evaluating their performance, reviewing the results of all audits and providing follow-up and guidance as necessary. The committee shall also review and comment on the content of the Form 990 for the corporation.

E. Standing Committees. The standing committees of the Board of Directors are as follows:

Audit Committee, Finance Committee, Strategic Planning Committee, Quality Oversight Committee, Governance Committee and Development Committee.

These committees shall consist of at least three (3) voting Directors. Persons who are not voting Directors may serve in an advisory capacity to these committees if so appointed by the Chairman.

E. Powers of Standing Committees. Except as provided by the Bylaws, no standing committee shall have or exercise the authority of the Board of Directors, but shall advise and make recommendations to the Board of Directors for action by the Board of Directors.

ARTICLE VIII

PRESIDENT/CEO

The Board of Directors shall employ and elect as President/CEO a suitable person to serve as chief executive officer for the Corporation. The President/CEO shall have control over the day-to-day operations of the Corporation and execute policy established by the Board of Directors and may authorize and take all action necessary or appropriate to carry out such operations. The President/CEO shall be fully accountable to the Board of Directors, shall report to and communicate regularly with the Board of Directors, and shall perform all other duties as may be required by the Board of Directors. The President/CEO shall be responsible for the preparation of the annual budget of the Corporation and for timely reporting to the Board of Directors on the activities of the Corporation. The President/CEO shall prepare all reports due for filing with the State Corporation Commission and other regulatory agencies and shall present such reports to the Board of Directors. The President/CEO shall not be a member of the Board of Directors. The President/CEO, however, shall normally attend all meetings of the Board of Directors but shall, at the discretion of the Board of Directors, be excluded from any meeting or portion of a meeting.

ARTICLE IX

FINANCE

The Board of Directors shall be empowered to receive contributions and funds, including legacies and endowments, to invest the same or place the same on deposit in such depositories as it shall from time to time designate and order the disbursement of such funds from time to time in order to carry into effect the objects and purposes of the Corporation. The Chairman, the President/CEO and the Chief Financial Officer may carry out the above powers of the Board,

including the selection, purchase and sale or other disposition of securities, investments, deposits and other assets, pursuant to any guidelines or directions provided by the Board of Directors.

ARTICLE X
AMENDMENTS

The Bylaws may be amended, repealed or altered in whole or in part by a majority vote in any regular or special meeting of the Board of Directors of the Corporation. Prior to any meeting to amend, repeal or alter the Bylaws, ten (10) days advance written notice shall be given to each director identifying with reasonable specificity the specific Bylaws to be changed and the nature of the amendments to be considered, but the Board shall have the authority to make any amendments to the Bylaws as it determines.

ARTICLE XI
INDEMNIFICATION

Indemnification of directors and officers shall be provided as follows:

A. Definition. For purposes of this Article, the definitions contained in Section 13.1-875 of the Virginia Nonstock Corporation Act or any successor statute, as now written or hereafter amended, shall be deemed to be incorporated herein by reference, provided, however, that the term "proceeding" shall include, in addition to what is described in such statute, a suit by or in the right of the Corporation.

B. Maximum Indemnification of Directors. The Corporation shall indemnify directors of the Corporation to the fullest extent now or hereafter permitted by law (including indemnification as permitted by Section 13.1-883 of the Virginia Nonstock Corporation Act, or any successor statute, as now written or hereafter amended, against liability and expenses

incurred, unless incurred as a result of gross negligence or willful misconduct) in connection with any proceeding arising out of their service to the Corporation or to another organization at the Corporation's request.

C. Indemnification of Officers and Other Persons. With respect to officers and other persons who serve the Corporation, the Corporation shall provide indemnification as required by law and may, as authorized at any time by general or specific action of the Board of Directors, provide further indemnification to the same extent set forth in Paragraph B of this Article, in connection with any proceeding arising out of such person's service to the Corporation or to another organization at the Corporation's request.

D. Other Indemnification Applicable. Indemnification provided pursuant to the foregoing provisions of this Article shall not be exclusive of any other right of indemnification to which any person may be entitled from legal entities other than the Corporation, including indemnification under policies of insurance that may be purchased and maintained by the Corporation or others, whether or not the Corporation would have the power to indemnify such person in the particular instance under the provisions of this Article, but no person shall be entitled to any indemnification by the Corporation to the extent he or she is indemnified by another, including an insurer.

End of By-Laws