

CODE OF REGULATIONS

ARTICLE I | MEMBERSHIP

SECTION 1. Requirements for Membership. Any person whether a natural person or a firm, association, corporation, partnership, body politic or subdivision thereof, will become a member of Pioneer Rural Electric Cooperative, Inc. (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that such person has first:

- (a) Made an application for membership therein;
- (b) Agreed to purchase from the Cooperative electric power and/or energy as hereinafter specified;
- (c) Agreed to comply with and be bound by the Articles of Incorporation and Code of Regulations of the Cooperative and any rules and regulations adopted by the Board of Trustees of the Cooperative (hereinafter sometimes called the "Board").

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in this Code of Regulations.

SECTION 2. Joint Membership. 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 the Code of Regulations shall include individuals holding a joint membership and all provisions relating to the rights and liabilities of membership shall apply equally 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 of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of any or all shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of any one separately or all jointly shall constitute one joint vote;
- (c) A waiver of notice signed by any or all shall constitute a joint waiver;
- (d) Notice to any shall constitute notice to all;
- (e) Expulsion of any shall terminate the joint membership;
- (f) Withdrawal of any shall terminate the joint membership; and
- (g) Any one, but not more than one, may be elected or appointed as an officer or Board member, provided that all meet the qualification for such office;
- (h) Payment of capital credits to any shall constitute payment to all.

SECTION 3. 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 individuals to be included as parties to the joint membership to comply with the Articles of Incorporation, Code of Regulations and rules and regulations adopted by the Board. Upon the death of any individual who is a party to the joint membership, such membership shall be held solely by the survivors provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 4. Joint Ownership with Rights of Survivorship. Married persons in a legally recognized documented relationship may apply for a Joint Membership with Rights of Survivorship, 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 the Code of Regulations shall include individuals holding a joint membership with rights of survivorship and all provisions relating to the rights and liabilities of membership shall apply equally to the holders as a joint membership with rights of survivorship. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership with rights of survivorship shall be as follows:

- (a) The presence at a meeting of any or all shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of any one separately or all jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either spouse shall constitute a joint waiver;
- (d) Notice to either spouse shall constitute notice to both;
- (e) Expulsion of any shall terminate the joint membership with rights of survivorship;
- (f) Withdrawal of either spouse shall terminate the joint membership with rights of survivorship;
- (g) Either one may be elected or appointed as an officer or a Board member, provided that both meet the qualifications for such office;
- (h) Payment of capital credits to either spouse shall constitute payment to all;
- (i) Upon the death of the first joint member with rights of survivorship, the membership shall be held solely by the survivor; and
- (j) Any accrued but unpaid capital credits shall be assigned to the surviving spouse and shall be paid to the surviving spouse in the same manner as if he or she owned the membership originally as a sole member.

SECTION 5. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in the application of membership, and shall pay therefore at rates which shall from time to time be fixed by the Board. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. It is expressly understood that amounts paid for electric power and/or energy in excess of the cost of service are furnished by the patrons of the Cooperative, whether members or non-members, as capital and each patron shall be credited with the capital so furnished as provided in this Code of Regulations. Each patron shall pay all amounts owed by him or her to the Cooperative as and when the same shall become due and payable.

SECTION 6. 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 Articles of Incorporation, this Code of Regulations, 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 or her liable to expulsion and such failure shall have continued for at least ten 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 or her, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be cancelled by resolution of the Board.

SECTION 7. Service to all Persons within the Cooperative's Service Area. The Cooperative shall extend electric service to all persons, whether members or non-members, within the Cooperative's service area who (i) desire such service and (ii) meet all requirements established by the Cooperative as a condition of such service. Conditions for service shall be set forth in the rules and regulations of the Cooperative. All such rules and regulations shall be just, reasonable and not unreasonably discriminatory or preferential. No discrimination or preference shall be made between members and non-member patrons of the Cooperative with respect to rates or terms or conditions of service. As used in the Code of Regulations, the term "service area" shall mean the territory as certified by the Public Utilities Commission of Ohio wherein the Cooperative supplies electric power and/or energy or maintains electric facilities as well as all areas adjacent thereto which are unserved by any other supplier of electric energy, and all areas which are closer to the electric distribution facilities of the Cooperative than to the electric distribution facilities of any other electric supplier.

ARTICLE II | RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members. Upon dissolution, after

- (a) All debt and liabilities of the Cooperative have been paid, and
- (b) All capital furnished through patronage has been retired as provided in this Code of Regulations, 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 years next proceeding 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 | MEETING OF MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the members shall be held after the month of January in each year beginning with the year 1971 at such place within the service area of the Cooperative, as selected by the Board 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 to make adequate 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. In the event that such annual meeting is not held, for any reason, a special meeting in lieu thereof shall be called and held as soon thereafter as convenient, and any business transactions or elections held at such meeting shall be as valid as if transacted or held at the annual meeting.

SECTION 2. Special Meetings. Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any three Board members, by the Chair, 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 the service area of the Cooperative designated by the Board.

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 not less than ten days nor more than twenty-five days before the day 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 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. Notice of adjournment of a members' meeting need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

SECTION 4. Quorum. The members entitled to vote present in person or represented by proxy at any meeting of the members shall constitute a quorum.

SECTION 5. Voting. Each member shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy except as otherwise provided by law, the Articles of Incorporation or this Code of Regulations.

SECTION 6. Proxies. At all meetings of members, a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be voted at any meeting of the members unless it shall designate 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. No member shall vote as proxy for more than three (3) members at any meeting of the members. No proxy shall be valid after sixty (60) days from the date of its execution. The presence of a member at a meeting of the members shall revoke a proxy theretofore executed by him or her and such member 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. In case of a joint membership, a proxy may be executed by either husband or wife. The presence of either husband or wife at a meeting of the members shall revoke a proxy theretofore executed by either of them and such joint member or 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. No person other than a member shall vote a proxy.

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. 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.
2. Presentation of unapproved minutes of previous meeting of the members and the taking of necessary action thereon.
3. Presentation and consideration of reports of officers, Board members and committees.
4. Election of Board members.
5. Unfinished business.
6. New business.
7. Adjournment.

ARTICLE IV | BOARD OF TRUSTEES

SECTION 1. General Powers. The entire business and affairs of the Cooperative shall be managed by a board of nine trustees which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or this Code of Regulations conferred upon or reserved to the members.

SECTION 2. Election and Tenure of Office. The Board shall divide the service area of the Cooperative into three (3) districts, designated as the Miami Rural Electric Cooperative, Shelby Rural Electric Cooperative, and the Champaign Rural Electric Cooperative, so that equitable representation may be given to the geographic areas served by the Cooperative. The Board shall have the power to change the boundaries of such districts whenever in their opinion the purpose of this Section requires such a change. Each district shall be represented by three Board members. One Board member from each district shall be elected each year by secret ballot at the annual meeting of the members, or at any meeting held in lieu thereof as hereinbefore provided, by and from the members to serve for a term of three (3) years or until their successors shall have been elected and shall have qualified, subject to the provisions of this Code of Regulations with respect to the removal of Board members. Board members may be elected by a plurality vote of the members voting thereon pursuant to such rules and procedures as established by the Board of Trustees. No more than one Board member from the same geographical area, as provided in Section 4, shall serve at the same time, unless said Board members were serving as such on April 25, 1987.

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

- (a) is not a member and bona fide resident in the particular district and geographical area of the Cooperative which such person is to represent; or
- (b) is in any way employed by or financially interested in a competing enterprise or a business selling electric power and/or energy, or supplies to the Cooperative, or who otherwise is engaged in an activity posing a conflict of interest with the governance of the Cooperative;
- (c) is a current employee of the Cooperative, or is a former employee of the Cooperative with less than five (5) years separation from the Cooperative; or
- (d) is a close relative of a current employee; or
- (e) has served seven (7) full consecutive terms the first of which commenced subsequent to April 25, 1987 until three (3) years has expired from the end of the person's last term.

Upon establishment of the fact that a trustee is holding the office in violation of any of the foregoing provisions, the Board shall remove such trustee from office.

Nothing contained in this Section shall affect in any manner whatsoever the validity of any action taken by the Board.

SECTION 4. Nominations. The Board of Trustees of each of the Miami Rural Electric Cooperative, Shelby Rural Electric Cooperative and Champaign Rural Electric Cooperative shall constitute a committee of nominations for each respective district. At least thirty (30) days before the annual meeting of the members of the Cooperative, each committee shall nominate from the membership of this corporation residing in their respective districts, as hereinbefore set forth, two (2) candidates for the office of trustee from their respective districts. No candidate shall be nominated who shall reside in one of the geographical areas provided for in the second paragraph of this Section 4 in which resides a Board member whose term is not expiring, unless said candidate was serving as a Board member on and continuously since April 25, 1987, and has not moved from the geographical area in which he or she resided at the time of his or her election.

The Board of Trustees of each district shall consist of twelve (12) members residing within said district who shall serve a term of three (3) years. Four Board members from each district shall be elected each year. The Board of Trustees of the Cooperative shall divide each district in four (4) geographical areas. Each committee shall, at least thirty (30) days before the annual meeting of the members of the Cooperative, nominate from the membership of the Cooperative residing in such respective areas two (2) candidates for the office of district trustee. Thereafter, at the annual meeting of members of the Cooperative the members residing within each district shall elect one of said candidates as district trustee by secret ballot. Trustees may be elected by plurality vote of the members. Except for district trustees serving as such on and continuously since April 25, 1987 who have not moved from the geographical area in which they resided at the time of their election, no more than three district trustees shall reside within the same geographical area. No person shall be eligible to become or remain a district trustee who (a) is not a member and bona fide resident in the particular geographical area which he or she is to represent, (b) is a current employee, or is a former employee with less than five (5) years separation from the Cooperative, (c) is a close relative of a current employee, or (d) who has served seven (7) full consecutive terms the first of which commenced subsequent to April 25, 1987 until three (3) years has expired from the end of the person's last term. As used in the Section, "close relative" means a spouse, parent, child, sibling and a spouse of a parent, child or sibling.

SECTION 5. Removal of Trustee. Any member may bring specific charges of malfeasance, misfeasance, or nonfeasance in office against a Trustee and, by filing with the Secretary in writing a detailed description of each charge and the evidentiary basis therefore together with a petition signed by at least ten per centum of the members, may request the removal of such Trustee by reason thereof. If more than one trustee is sought to be removed, individual charges against each such trustee and the evidentiary basis for each such charge shall be specified. For purposes of this Article "malfeasance, misfeasance or nonfeasance" means an act or omission amounting to gross negligence, fraud, or criminal conduct, which has a material adverse effect on the business and affairs of the Cooperative. At the next regular or special meeting of the members occurring not less than forty-five days after the filing of such charges, the member bringing the charges against the trustees shall have an opportunity to be heard in person or by counsel and to present evidence in support of the charges; and the trustee shall have the opportunity to be heard in person or by counsel and to present evidence in response to the charges. No trustee shall be removed from office unless the specific charges against such trustee are supported by clear and convincing evidence. The question of the removal of such trustee shall be considered and voted upon at the meeting of members and any vacancy created by such removal may be filled, by the affirmative vote of a majority of the remaining trustees, for the unexpired portion of the term and until a successor shall have been elected and qualified. The removal of no more than two trustees may be considered or voted upon at any meeting of members.

SECTION 6. Vacancies. A vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Board members for the unexpired portion of the term and until a successor shall have been elected and shall have qualified.

SECTION 7. Compensation. Members of the Board shall not receive any salary for their services as such, however, the Board may by resolution provide a reasonable compensation to be paid to each Board member for his or her services rendered on behalf of the Cooperative as a Board member, such as attendance at meetings, conferences and training programs or performing committee assignments. The Board may also authorize reimbursement of Board members for expenses actually and necessarily incurred in carrying out such Cooperative business or grant a reasonable per diem allowance in lieu of detailed accounting for such expense. A Board member may also receive compensation for services rendered as an officer of the Cooperative, but no Board member shall receive compensation for serving the Cooperative in any other capacity, except in emergency. No close relative of a Board member shall receive compensation for serving the Cooperative, except in emergency, unless such compensation shall be specifically authorized by a vote of the members. As used in the Section, "close relative" means a spouse, parent, child, sibling and a spouse of a parent, child or sibling.

ARTICLE V | MEETINGS OF BOARD OF TRUSTEES

SECTION 1. Regular Meetings. A regular meeting of the Board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board shall also be held monthly at such time and place, either within or without the State of Ohio, 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. Special Meeting. Special meetings of the Board may be called by the Chair or by any three Board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chair or Board members calling the meeting shall fix the time and place, either within or without the State of Ohio, for the holding of the meeting.

SECTION 3. Notice of Special Board Meetings. Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Board member either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chair or the Board member 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 or her address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

SECTION 4. Quorum. A majority of the Board shall constitute a quorum, provided, that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Board members of the time and place of such adjourned meeting. The act of a majority of the Board members present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in this Code of Regulations.

SECTION 5. Action of Trustees without a Meeting. Any action which may be authorized or taken at a meeting of the Board may be authorized or taken without a meeting in a writing or writings signed by all of the members of the Board.

ARTICLE VI | OFFICERS

SECTION 1. Number. The officers of the Cooperative shall be a Chair, First Vice-Chair, Second Vice-Chair, Secretary, Treasurer, President and such other officers as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person.

SECTION 2. Election and Term of Office. Each officer, except the President and any officer appointed pursuant to Section 3 of this ARTICLE VI, shall be elected by ballot annually by and from the Board at the meeting of the Board held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until his or her successor shall have been elected and shall have qualified, subject to the provisions of this Code of Regulations with respect to the removal of officers. The President shall be chosen and employed and his or her compensation shall be set by the Board. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 3. Additional Officers. In addition to the officers specified in Section 1 of this ARTICLE VI, the Board, in its discretion, may appoint one or more Assistant Vice Chairs, one or more Assistant Secretaries, one or more Assistant Treasurers and such other officers as may be deemed necessary or desirable who shall have such duties and authority as generally pertains to their respective offices and such as may be prescribed by the Board, and who shall hold office for such period as may be prescribed by the Board.

SECTION 4. Removal of Officers and Agents by the Board. Any officer elected or appointed by the Board may be removed by the Board whenever in its judgment the best interest of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against any officer, and by filing with the Secretary such charges in writing together with a petition signed by ten per centum of the members may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten days prior to the Board meeting 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 in respect of the charges; and the person or persons bringing the charges against him or her shall have the same opportunity. In the event the Board does not remove such officer, the questions of his or her removal shall be considered and voted upon at the next meeting of the members. Notwithstanding any other provisions of this Code of Regulations the Board may, in its discretion, authorize a written employment agreement between the Cooperative and the President containing terms and conditions relating to the removal of the President which are consistent with this Code of Regulations.

SECTION 5. Resignations. Any officer may resign at any time by giving written notice to the Board, or to the Chair or to the Secretary of the Cooperative. Any such resignation shall take effect at the time specified therein and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

SECTION 6. Vacancies. A vacancy in any office, except that of President, may be filled by the Board for the unexpired portion of the term. In the event of a vacancy in the office of President, the Board shall choose and employ a President upon terms and conditions which the Board considers to be in the best interests of the Cooperative.

SECTION 7. Chair. The Chair shall:

- (a) be the Chair of the Board and unless otherwise determined by the members or the Board, shall preside at all meetings of members and the Board;
- (b) on behalf of the Cooperative, subject to the direction and instruction of the Board, may sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, financing statements, security agreements, contracts or other instruments, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by this Code of Regulations to some other office or agent of the Cooperative, or shall be required by law to be otherwise signed or executed;
- (c) in general perform all duties incident to the office of Chair and such other duties as may be prescribed by the Board from time to time.

SECTION 8. Vice Chairs. In the absence of the Chair, or in the event of his or her inability or refusal to act, the First Vice Chair shall perform the duties of the Chair, and when so acting shall have all the powers of and be subject to all the restrictions upon the Chair. In the absence of both the Chair and First Vice Chair, or in the event of their inability or refusal to act, the Second Vice Chair shall perform the duties of Chair, and when so acting shall have all the powers of and be subject to all the restrictions upon the Chair. The Vice Chairs shall also perform such other duties as from time to time may be assigned to them by the Board or by the Chair.

SECTION 9. Secretary. The Secretary shall be responsible for:

- (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 this Code of Regulations 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 or a facsimile thereof to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of this Code of Regulations.
- (d) keeping a register of the names and post office addresses of all members;
- (e) keeping on file at all times a complete copy of the Articles of Incorporation and Code of Regulations 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 Code of Regulations and of all amendments thereto to any member upon request; and
- (f) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board.

SECTION 10. Assistant Secretary. The Assistant Secretary, if one is appointed by the Board pursuant to Section 3 of this ARTICLE VI, need not be a member of the Board and shall hold office until relieved by the Board. He or she shall assist the Secretary in the performance of the Secretary's duties as requested by the Secretary or by the Board.

SECTION 11. Treasurer. The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Cooperative;
- (b) the receipt of and 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 this Code of Regulations; 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 by the Board.

SECTION 12. Assistant Treasurer. If an Assistant Treasurer is appointed by the Board pursuant to Section 3 of this ARTICLE VI, he or she need not be a member of the Board and shall hold office until relieved by the Board. He or she shall assist the Treasurer in the performance of the Treasurer's duties as requested by the Treasurer or by the Board.

SECTION 13. President. The President shall:

- (a) be the chief executive officer responsible for the general direction, coordination and control of all operations in accordance with the policies adopted by the Board, subject to the direction and instruction of the Board;
- (b) have supervision over and be responsible for the operations of the Cooperative, and in performing this duty, carry out and administer the policies adopted by the Board;
- (c) prepare for the Board of Trustees such reports and budgets as are necessary to inform the Board concerning the operation of the Cooperative; and
- (d) in general perform all duties incident to the office of President as chief executive officer and perform such other duties as may from time to time be assigned by the Board.

SECTION 14. Bonds of Officers. The 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 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 15. Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed by the Board subject to the provisions of this Code of Regulations with respect to compensation for a Board member and close relatives of a Board member.

SECTION 16. 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 report shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII | NON-PROFIT OPERATION

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 energy the Cooperative 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 non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the 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 or her account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its 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 credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made pursuant to such rules and procedures as established by the Board of Trustees, provided, however, that nothing herein shall be construed as impairing or limiting the Cooperative's right to set off capital credits against obligations due the Cooperative by a member. 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, successors in occupancy in all or a part of such patron's premises served by the Cooperative or to a trustee of a trust created by a patron wherein the patron has reserved the right to revoke or amend said trust unless the Board, acting under policies of general application, shall determine otherwise, except as herein otherwise provided. Notwithstanding any other provision of this Code of Regulations the Board at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his or her estate or trustees of his or her trust shall request in writing that the capital credited to any such patron or trustees of a trust described in the preceding paragraph be retired prior to the time such capital would otherwise be retired under the provisions of this Code of Regulations, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate or trustees of a trust, as the case may be, shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby. In the case of the death of patron holding a joint membership with other individuals only an equal share, based upon the number of individuals holding the joint membership, of the capital credited to such joint membership shall be payable to the patron's estate.

In the case of the death of patron holding a joint membership with rights of survivorship, the capital credited to such joint membership with rights of survivorship shall be assigned to the surviving owner. Assigned capital credits to the surviving owner shall be paid to the surviving owner in the same manner as if the surviving member owned the membership originally as a sole member.

SECTION 3. Assignment and Gift by Failure to Claim. Notwithstanding any other provision of the Bylaws, if any patron or former patron fails to claim any cash retirement of capital credits or other payment from the Cooperative within four years after payment of the same has been made available by notice or check mailed to him or her at his or her last address furnished to the Cooperative, such failure shall be and constitutes an irrevocable assignment and gift by such patron of such capital credit or other payment of the Cooperative. Failure to claim any such payment within the meaning of this section shall include the failure by such patron or former patron to cash any check mailed to him or her by the Cooperative at the last address furnished by him or her to the Cooperative. The assignment and gift provided for under this Section shall become effective only upon the expiration of four (4) years from the date when such payment was made available to such patron or former patron without claim therefore and only after the further expiration of sixty (60) days following the giving of a notice by mail and publication that unless such payment is claimed within said sixty (60) day period, such gift to the Cooperative shall become effective. The notice by mail herein provided for shall be one mailed by the Cooperative to such patron or former patron at the last known address and the notice by publication shall be two (2) consecutive insertions in a newspaper circulated in the service area of the Cooperative, which may be the Statewide Newsletter. The sixty (60) day period following the giving of such notice shall be deemed to terminate sixty (60) days after the mailing of such notice or sixty (60) days following the last date of publication thereof, whichever is later.

SECTION IV. Articles of Incorporation and Code of Regulations Constitute a Contract. The patrons of the Cooperative by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Code of Regulations 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 combining such terms and provisions. The provisions of this Article of the Code of Regulations shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE VIII | DISPOSITION OF PROPERTY

The Cooperative shall not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property or merge or consolidate with any other corporation unless such sale, mortgage, leases, other disposition, encumbrance, merger or consolidation is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all of the members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease, other disposition, encumbrance, merger or consolidation shall have been contained in the notice of the meeting; provided, however, that notwithstanding, any other provision of this Article, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of mortgages, deeds of trust, security agreement and financing statements or otherwise pledging, encumbering, subjecting to a lien or security interest, 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 shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof or to any other bona fide lender, lending institution or investor; provided, further, however, that notwithstanding any other provision of this Article, the Board may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to, or merge or consolidate with, another non-profit corporation which is an electric distribution cooperative that was previously at any time a borrower from the Rural Utilities Service or the Rural Electrification Administration or a generation and transmission cooperative whose members are electric distribution cooperatives.

Notwithstanding the foregoing provisions of this Article, nothing contained herein shall be deemed or construed to prohibit an exchange of electric plant facilities for electric plant facilities of another electric company when in the judgment of the Board such facilities are of approximately equal value, but in no event shall the value of the Cooperative's facilities so exchanged within any 12 month period exceed 10% of the total electric plant of the Cooperative.

ARTICLE IX | SEAL

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal State of Ohio" but failure to affix such seal shall not affect the validity of any instrument duly executed on behalf of the Cooperative by its authorized officers.

ARTICLE X | FINANCIAL TRANSACTIONS

SECTION 1. Contracts. Except as otherwise provided in this Code of Regulations, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and 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 by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

SECTION 3. Deposits. All funds except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board may select.

SECTION 4. Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

ARTICLE XI | MISCELLANEOUS

SECTION 1. Waiver of Notice. Any member or Board member may waive in writing any notice of a meeting required to be given by this Code of Regulations. 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 of 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 2. Policies, Rules and Regulations. The Board shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the Articles of Incorporation or this Code of Regulations, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 3. Accounting System and Reports. The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall substantially conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The Board shall also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting.

SECTION 4. Area Coverage. The Board shall make a 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 reasonable requirement established by the Cooperative as a condition of such service.

ARTICLE XII | AMENDMENTS

This Code of Regulations may be altered, amended or repealed by the members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. Any alteration, amendment or repeal of this Article, or Article VIII shall require the affirmative vote of at least two-thirds of the members of the Cooperative, and no other provision of this Code of Regulations may be altered, amended or repealed by an affirmative vote which is less in number or different in character than the affirmative vote required for action under that provision.

ARTICLE XIII | INDEMNIFICATION OF TRUSTEES AND OFFICERS

SECTION 1. Third-Party Action Indemnification. The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed civil, criminal, administrative, or investigative action, suit, or proceeding, including all appeals (other than an action, suit, or proceeding by or in the right of the Cooperative), by reason of the fact that such person is or was a trustee, officer, employee, or volunteer as defined in Section 1702.01 (N) of the Ohio Revised Code ("volunteer"), of the Cooperative, or is or was serving at the request of the Cooperative as a trustee, director, officer, employee, or volunteer of another domestic or foreign nonprofit corporation or corporation for profit, or a

partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, decrees, fines, penalties, and amounts paid in settlement actually and reasonably incurred by such person in connection with the action, suit, or proceeding, unless it is proved by clear and convincing evidence in a court of competent jurisdiction that such person's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Cooperative or undertaken with reckless disregard for the best interests of the Cooperative and that, with respect to any criminal action or proceeding, such person had reasonable cause to believe that such person's conduct was unlawful; the termination of any action, suit, or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, constitute such proof.

SECTION 2. Derivative Action Indemnification. Other than in connection with an action or suit in which the liability of a trustee under Section 1702.55 of the Ohio Revised Code is the only liability asserted, the Cooperative shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit, including all appeals, by or in the right of the Cooperative to procure a judgment in its favor by reason of the fact that such person is or was a trustee, officer, employee, or volunteer of the Cooperative, or is or was serving at the request of the Cooperative as a trustee, director, officer, employee, or volunteer of another domestic or foreign nonprofit corporation or corporation for profit, or a partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of the action or suit unless it is proved by clear and convincing evidence in a court of competent jurisdiction that such person's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Cooperative or undertaken with reckless disregard for the best interests of the Cooperative, except that the Cooperative shall indemnify such person to the extent the court in which the action or suit was brought determines upon application that, despite the proof but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

SECTION 3. Determinations of Indemnification Rights. Any indemnification under Sections 1 or 2 hereof (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case upon a determination that indemnification of the trustee, director, officer, employee, or volunteer is proper in the circumstances. The determination shall be made (a) by a majority vote of those members of the Board of Trustees who in number constitute a quorum of the Board of Trustees and who also were not and are not parties to or threatened with any such action, suit, or proceeding or (b) if such a quorum is not obtainable (or even if obtainable) and a majority of disinterested members of the Board of Trustees so directs, in a written opinion by independent legal counsel compensated by the Cooperative or (c) by the court in which the action, suit, or proceeding was brought.

SECTION 4. Advances of Expenses. Unless the action, suit, or proceeding referred to in Sections 1 or 2 hereof is one in which the liability of a trustee under Section 1702.55 of the Ohio Revised Code is the only liability asserted, expenses (including attorneys' fees) incurred by the trustee, director, officer, employee, or volunteer of the Cooperative in defending the action, suit, or proceeding shall be paid by the Cooperative as they are incurred, in advance of the final disposition of the action, suit, or proceeding upon receipt of an undertaking by or on behalf of the trustee, director, officer, employee, or volunteer in which such person agrees both (a) to repay the amount if it is proved by clear and convincing evidence in a court of competent jurisdiction that such person's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Cooperative or undertaken with reckless disregard for the best interests of the Cooperative and (b) to cooperate with the Cooperative concerning the action, suit, or proceeding.

SECTION 5. Purchase of Insurance. The Cooperative may purchase and maintain insurance or furnish similar protection, including, but not limited to, trust funds, letters of credit, and self-insurance, for or on behalf of any person who is or was a trustee, officer, employee, agent, or volunteer of the Cooperative, or is or was serving at the request of the Cooperative as a trustee, director, officer, employee, agent, or volunteer of another domestic or foreign nonprofit corporation or corporation for profit, or a partnership, joint venture, trust, or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Cooperative would have the power to indemnify him or her against liability under the provisions of this Article XIII or of the Ohio Nonprofit Corporation Law. Insurance may be purchased from or maintained with a person in which the Cooperative has a financial interest.

SECTION 6. Mergers. Unless otherwise provided in the agreement of merger pursuant to which there is a merger into this Cooperative of a constituent corporation that, if its separate existence had continued, would have been required to indemnify board members, directors, officers, employees, or volunteers in specified situations, any person who served as a trustee, officer, employee, or volunteer of the constituent corporation, or served at the request of the constituent corporation as a trustee, director, officer, employee, or volunteer of another domestic or foreign nonprofit corporation, or corporation for profit, or a partnership, joint venture, trust, or other enterprise, shall be entitled to indemnification by this Cooperative (as the Surviving Corporation) to the same extent such person would have been entitled to indemnification by the constituent corporation if its separate existence had continued.

SECTION 7. Non-Exclusivity; Heirs. The indemnification provided by this Article XIII shall not be deemed exclusive of, and shall be in addition to, any other rights granted to a person seeking indemnification as a matter of law or under the Articles of Incorporation, this Code of Regulations, any agreement, vote of the members of the Cooperative or the disinterested members of the Board of Trustees, any insurance purchased by the Cooperative, any action by the Board of Trustees to take into account amendments to the Ohio Nonprofit Corporation Law that expand the authority of the Cooperative to indemnify a trustee, officer, employee, or volunteer of the Cooperative, or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding an office or position, and shall continue as to a person who has ceased to be a trustee, officer, employee, or volunteer and shall inure to the benefit of the heirs, executors, and administrators of such a person.

SECTION 8. Liability of a Board Member or Officer. Other than in connection with an action or suit in which the liability of a trustee under Section 1702.55 of the Ohio Revised Code is the only liability asserted, a trustee or officer of the Cooperative shall be liable in damages for any action he or she takes or fails to take as a trustee or as an officer, as the case may be, only if it is proved, by clear and convincing evidence, in a court with jurisdiction that the act or omission was one undertaken with deliberate intent to cause injury to the Cooperative or was one undertaken with a reckless disregard for the best interests of the Cooperative.