

HARRISON COUNTY RURAL ELECTRIC MEMBERSHIP CORPORATION

April 26, 2022

ARTICLE I

MEMBERSHIP

SECTION 1.01 Eligibility. Any natural person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision or agency thereof, or body politic (each hereinafter referred to as "person," "applicant," "him" or "his") shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by him, to receive electric service from, Harrison County Rural Electric Membership Corporation, Inc. (hereinafter called the "Cooperative"). No person shall hold more than one membership in the Cooperative.

SECTION 1.02 Application for Membership; Renewal of Prior Application. Application for membership -- wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative's Articles of Incorporation and By-laws, and all rules, regulations and rate schedules, as all the same then exist or may thereafter be duly adopted, amended and promulgated (the obligations embraced by such agreement being hereinafter called "membership obligations") -- shall be made in writing on such form as is provided therefore by the Cooperative. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefore by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.03 (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), which fee (and such service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, if any) shall be refunded in the event the application is not approved. Any former member of the Cooperative may, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at the Indiana legal rate on judgments in effect when such account first became overdue, compounded annually (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

SECTION 1.03 Membership Fee; Service Security and Facilities Extension Deposits; Contribution in Aid of Construction. The membership fee shall be as fixed from time to time by the Board of Directors. The membership fee (together with any service security deposit, or service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, or any combination thereof, if required by the Cooperative) shall entitle the member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative (together with a service security deposit, a facilities extension deposit or a contribution in aid of construction if required by the Cooperative), shall be paid by the member for each additional service connection requested by him.

SECTION 1.04 Joint Membership. A husband and wife, by specifically so requesting in writing, may be accepted into joint membership or, if one of them is already a member, may automatically convert such membership into a joint membership. The words "member," "applicant," "person," "his" and "him", as used in these Bylaws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing –

- (a) the presence at a meeting of either or both shall constitute the presence of one member and a joint waiver of notice of the meeting.
- (b) the vote of either or both shall constitute, respectively, one joint vote.
- (c) notice to, or waiver of notice signed by, either or both shall constitute, respectively, a joint notice or waiver of notice;
- (d) suspension or termination in any manner of either shall constitute, respectively, suspension or termination of the joint membership;
- (e) either, but not both concurrently, shall be eligible to serve as a director of the Cooperative, but only if both meet the qualifications required therefore; and
- (f) neither will be permitted to have any additional service connections except through their one joint membership.

SECTION 1.05 Acceptance into Membership. Upon complying with the requirements set forth in Section 1.02, any applicant shall by Board resolution be accepted into membership in, and become eligible to receive electric service from, the Cooperative, unless the Board of Directors shall determine that such applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such applicant shall be rejected for other good cause; PROVIDED, that any person whose application, for sixty (60) days or longer, has been submitted to but not approved by the Board of Directors may, by filing written request therefore with the Cooperative at least thirty (30) days prior to the next meeting of the members, have his application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

SECTION 1.06 Purchase of Electric Power and Energy; Power Production by Members; Application of Payment to All Accounts. The Cooperative shall use reasonable diligent efforts to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership, unless and except to the extent that the Board of Directors may in writing waive such requirements, and shall pay therefore at the time, and in accordance with the rules, regulations, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with the Cooperative facilities, shall be subject to appropriate regulation as shall be fixed from time to time by the Cooperative. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative, any payment by him for service from the Cooperative shall be deemed to be allocated and credited on a pro rata basis to his outstanding accounts for all such service connection, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocations and proration.

SECTION 1.07 Excess Payments to be Credited as Member-Furnished Capital. All amounts paid for electric Service in excess of the cost thereof shall be furnished by members as capital, and each member shall be credited with the capital so furnished as provided in Article IX of these Bylaws.

SECTION 1.08 Wiring of Premises; Responsibility Therefore; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification.

Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the Indiana Fire Insurance Underwriters Association, the National Electric Code, and applicable state code or local government ordinances, and of the Cooperative. Each member shall be responsible for -- and shall indemnify the Cooperative and its employees, agents, and independent contractors against death, injury, loss of damage resulting from any defect in or improper use or maintenance of -- such premises and all wiring and apparatuses connected thereto or used thereon. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, thereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source, for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his best efforts to prevent others from so doing. Each member shall also provide such protective devices to his premises, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenue resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery.

SECTION 1.09 Member to Grant Easement to Cooperative and to Participate in Required Cooperative Load Management Program.

Each member shall, upon being requested so to do by the Cooperative, execute and deliver to the Cooperative grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service to him or other members or for the construction, operation, maintenance or

relocation of the Cooperative's electric facilities. Each member shall participate in any required program that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

ARTICLE II

MEMBERSHIP SUSPENSION AND TERMINATION

SECTION 2.01 Suspension; Reinstatement. Upon his failure, after the expiration of the initial time limit prescribed either in a specific notice to him or in the Cooperative's generally publicized applicable rules and regulations, to pay any amount due the Cooperative or to cease and other noncompliance with his membership obligations, a person's membership shall automatically be suspended; and he shall not during such suspension be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, and/or cessation of any other noncompliance with his membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the membership, in which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meeting of its members.

SECTION 2.02 Termination by Expulsion; Renewed Membership. Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 2.01, he may, without further notice, but only after due hearing if such is requested by him, be expelled by resolution of the Board of Directors at any subsequently held regular or special meeting of the Board. Any person so expelled may, by delivering written notice to that effect to the Cooperative at least ten (10) days prior to the next meeting of the members, appeal to and be present and hear at such meeting, which may vote approval of such expulsion or disapproval thereof, in which latter event such person's membership shall be reinstated retroactively to the date of his expulsion. After any finally effective expulsion of a member, he may not again become a member except upon new application therefore duly approved as provided in Section 1.05. The Board of Directors, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all his membership obligations.

SECTION 2.03 Termination by Withdrawal or Resignation. A member may withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to (or, with the approval of the Board of Directors, resigning his membership in favor of a new applicant who also shall) own or directly occupy or use all premises being furnished

electric service pursuant to his membership, or (b) except when the Board of Directors specifically waives such conditions, abandoning totally and permanently the use of central station electric service on such premises.

SECTION 2.04 Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners. Except as provided in Section 2.06, the death of an individual human member shall automatically terminate his membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership: PROVIDED, that upon the dissolution for any reason of a partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly to occupy or use the premises being furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners: PROVIDED FURTHER, that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative.

SECTION 2.05 Effect of Termination. Upon the termination in any manner of a person's membership, he or his estate, as the case may be, shall be entitled to refund of his membership fee (and to his service security deposit, if any, theretofore paid the Cooperative), less any amounts due the Cooperative; but neither he nor his estate, as the case may be, shall be released from any debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or expulsion of a member, as provided for in Section 2.01 and 2.02, such suspension or expulsion shall not, unless the Board of Directors shall expressly so elect, constitute such release of such person from his membership obligation as to entitle him to purchase from any other person any central station electric power and energy for use at the premises to which such service has theretofore been furnished by the Cooperative pursuant to such membership.

SECTION 2.06 Effect of Death, Legal Separation or Divorce upon a Joint Membership. Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint: PROVIDED, that the estate of the deceased spouse shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holder of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such previous membership in the same manner and to the same effect as though such membership had never been joint: PROVIDED, that the other spouse shall not be released from any debts due the Cooperative.

SECTION 2.07 Board Acknowledgment of Membership Termination; Acceptance of Members Retroactively. Upon the termination of a person's membership for any reason, the Board of Directors, as soon as practicable after such termination is made known to it, shall be appropriate resolution formally acknowledge such termination, effective as of the date on which the Cooperative ceased furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for, and the Board of Directors approves, membership retroactively to the date on which said person first began receiving such service, in which event the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly.

ARTICLE III

MEETING OF MEMBERS

SECTION 3.01 Annual Meetings. For the purpose of electing directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held on the first Tuesday of the month of April each year or at any other time as determined by the Board of Directors, at such place in one of the counties in Indiana within which the Cooperative serves, and beginning at such hour, as the Board of Directors shall from year to year fix. The board may also change the meeting from an in-person event to either a virtual or mail-in format. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for, and to encourage member attendance at, the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative. The dates listed in section 3.03, 3.06, 4.02, 4.04, 4.05, and 4.06 assume an annual meeting month of April.

SECTION 3.02 Special Meetings. A special meeting of the members may be called by the Board of Directors, by any five (5) directors, or by petition signed by not less than five (5%) percent of the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.03. Such a meeting shall be held at such place in one of the counties in Indiana within which the Cooperative serves, on such date, not sooner than forty (40) days after the call for such meeting is made or a petition therefore is filed, and beginning at such hour as shall be designated by him or those calling or petitioning for the same.

SECTION 3.03 Notice of Member Meeting. Written or printed notice of the place, day and hour of the meeting, whether a special meeting or the annual business meeting, shall be at least 20 days prior to such special meeting or annual meeting. Notice shall be by personal service, post marked by United States Mail, or as provided by any other means as determined by the direction of the President or the Secretary. Any such special or annual meeting notice delivered by mail may be included with member service billings or as an integral part of or with the Cooperative's monthly newsletter or the Cooperative's magazine. If mailed, such special or annual meeting 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 incidental and non-intended failure of any member to receive a notice deposited in the mail addressed to the member at his address as shown on the Cooperative's books shall not invalidate any action which may be taken by the members at such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the grounds that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objections shall notify the Secretary prior to or at the beginning of the meeting of his objection.

SECTION 3.04 Quorum. At least 2% of the Cooperatives total members must be present in person or cast a ballot prior to the meeting in the manner specified in Section 3.05. If less than a quorum is established at any meeting, a majority of those present in person may without further notice adjourn the meeting to another time and date not less than forty (40) days later and to any place in one of the counties in Indiana within which the Cooperative serves: Provided, that the Secretary shall notify any absent member of the time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03. At all meetings of the members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person.

SECTION 3.05 Voting. Each member who is not in a status of suspension, as provided for in Section 2.01, shall be entitled to only one vote upon each matter submitted to a vote for any meeting of the members. A Member may vote in person at the meeting or if available may cast a ballot provided by the Cooperative prior the meeting in the manner and within the timeframe established by the Board and as described in the Annual Meeting Notice/or on the ballot. A Member submitting a completed early ballot may not revoke the early ballot and will not be entitled to vote at the Member Meeting regarding a matter described in the early ballot. The Cooperative shall count as a Member's vote a properly completed early ballot received on or before the date stated in early ballot.

Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote. Voting by any of the following persons or entities shall be allowed upon the presentation to the Cooperative, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote: (a) members other than members who are natural persons; (b) a member's attorney-in-fact pursuant to a valid power of attorney which authorizes such voting either by way of language contained within the power of attorney document, or by reference to a law authorizing same; (c) a member's court-appointed guardian pursuant to an order of a court of competent jurisdiction, or letters of guardianship issued by a court of competent jurisdiction; or (d) a deceased member's personal representative pursuant to letters testamentary issued by a court of competent jurisdiction, or a deceased member's heirs or beneficiaries pursuant to a valid small estate affidavit under the laws of the State of Indiana, or pursuant to an order of a court of competent jurisdiction admitting such decedent's will to probate without administration pursuant to the State of Indiana's small estate administration laws. Any question regarding the validity of any of the above-described voting interests, or the evidence thereof presented, shall be determined exclusively and in the sole discretion of the Credentials and Elections Committee.

At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law. Members may not cumulate their votes or vote by proxy.

In the event of a tie vote, a second count will be conducted by the Credentials and Election Committee. If the vote is confirmed to be a tie, the winner for that district will be decided by a coin flip conducted by the Credentials and Election Committee Chairperson and witnessed by other committee members.

A Member's failure to receive an early ballot does not affect or invalidate a vote or action taken by other members.

SECTION 3.06 Credentials and Election Committee. The Board of Directors shall, by January 5, appoint a Credentials and Election Committee. The Committee shall consist of an uneven number of members not less than nine (9) nor more than eleven (11) who are not existing Cooperative employees, agents, officers, directors or known candidates for director, and who are not close relatives (as hereinafter defined) or members of the same household of existing Cooperative employees, agents, officers, directors or known candidates for director. In appointing the Committee, the Board shall have regard for the equitable representation of the several areas served by the Cooperative. The Committee shall elect its own

chairman and secretary prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members in person, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of directors (including but not limited to the validity of petitions of nomination or the qualifications of candidates and election of directors), and to pass upon any protest or objection filed with respect to any election or to conduct meetings affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following the adjournment of, the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protestor(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the results of which may be affirm the election, to change the outcome thereof, or to set it aside. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final. The Committee may not affirmatively act on any matter unless a majority of the Committee is present.

SECTION 3.07 Order of Business. The order of business of the annual meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (1.) Report on the number of members present in person in order to determine the existence of a quorum;
- (2.) Reading of the notice of the meeting and proof of the due giving thereof, or of the waiver or waivers of notice of the meeting, as the case may be;
- (3.) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- (4.) Presentation and consideration of reports of officers, directors and committees;
- (5.) Election of directors;
- (6.) Unfinished business;

(7.) New business; and

(8.) Adjournment.

Notwithstanding the foregoing, the Board of Directors or the members themselves may from time to time establish a different order of business for the purpose of assuring the earlier consideration of and action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business: PROVIDED, that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

ARTICLE IV

DIRECTORS

Section 4.01 Number and General Power. The business and affairs of the Cooperative shall be managed by a Board of nine (9) Directors. The Board shall exercise all the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or Bylaws conferred upon or reserved to the members.

SECTION 4.02 Qualifications. No person shall be eligible to become or remain a director of the Cooperative who is a close relative of an incumbent director or of an employee of the Cooperative, or is not a member in good standing of the Cooperative and receiving service there from at his primary residential abode: PROVIDED, that the operating or chief executive or any member which is not a natural person, such as a corporation, church, etc., or his designee, and shall, be receiving service from the Cooperative at his primary residential abode, be eligible to become a director, from the Directorate District in which such member is located, if he or such designee (1) is in substantial permanent occupancy, direction or use of the premises served by the Cooperative, and (2) is a permanent and year-round resident within the district represented by his office and served by the Cooperative (3) had been a bona fide resident of the district in which he or she runs for six (6) months prior to his or her election and (4) shall not have been convicted of a felony or any crime involving dishonesty or moral turpitude; BUT PROVIDED FURTHER, that no more than one (1) such person may serve on the Board of Directors at the same time.

No person shall be eligible to become or remain a director of, or to hold any other position of trust in the Cooperative who is not at least eighteen (18) years of age, or has not obtained a High School Diploma or General Equivalency Diploma (GED), or is in any way employed by a competing enterprise, or a business selling electric energy; and no person shall take or hold office who simultaneously holds the position of an elected chairperson of any political party. If such elected political party chairperson should be a candidate of a director position, and be so elected to that "directorship", that "elected political party chairperson" would be required to resign such position immediately before that person would be eligible to fill the directorship of the cooperative. No person shall be eligible to be a candidate for director if he or she has been a former employee of Harrison County REMC within the last five (5) years of such candidacy. As outlined in section 3.06, the Credentials and Election Committee shall review the validity and qualifications of each nominee by a date determined by the Credentials and Election Committee. Any nominee who lacks eligibility under this section, shall be notified by the committee chair person, that such nominee will be disqualified, and will not be listed on the ballot of nominees for the cooperative annual meeting election. Nothing contained in this Section shall or shall not be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the

Board of Directors, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more of the directors have an interest adverse to that of the Cooperative.

SECTION 4.03 Election. At each annual meeting of the members, directors shall be elected by written ballot by the members and, except as provided in the first provision of Section 4.02 of these Bylaws, from among those members who are natural persons. Directors shall be elected by a plurality of the votes cast: PROVIDED, that, when the number of nominees does not exceed the number of directors to be elected from a particular Directorate District, then written balloting may be dispensed with for that particular election and voting may be conducted in any other proper manner. In the event of any tie vote another ballot vote shall be taken between those candidates who tied.

SECTION 4.04 Tenure. Directors shall be elected for three year terms. At the membership annual meeting each year three different director districts will have an election (Districts 1, 8, and 9 will have elections, followed by Districts 2, 3, and 6, followed by Districts 4, 5, and 7). Upon their election, directors shall, subject to the provisions of these Bylaws with respect to the removal of directors, serve until the annual meeting of the members of the year in which their terms expire or until their successors shall have been elected and shall have qualified. If for any reason an election of directors shall not be held at an annual meeting of the members duly fixed and called pursuant to these Bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special or the next annual meeting of the members. Failure of an election for a given year shall allow the incumbents whose directorships would have been voted on to hold over only until the next member meeting at which a quorum is present.

SECTION 4.05 Directorate Districts. The territory served by the Cooperative shall be divided into nine (9) Directorate Districts. Each District shall be represented by one (1) director, and the districts are described as follows:

- District 1** New Albany and Georgetown Townships in Floyd County.
- District 2:** Howard, Jackson, and Posey Townships in Washington County. Blue River and Morgan Townships in Harrison County.
- District 3** Carr and Wood Townships in Clark County. Greenville and Lafayette Township in Floyd County.

- District 4** Franklin Township in Harrison County. Franklin Township in Floyd County.
- District 5** Posey and Taylor Townships in Harrison County.
- District 6** Harrison Township east of State Road 135 as well as the area north of State Road 62 of Harrison Township in Harrison County.
- District 7** Jackson and Spencer Townships in Harrison County. Jennings

- Township in Crawford County.
- District 8** Heth and Washington Townships and the area of Harrison township south of State Road 62 and west of State Road 135 in Harrison County.
- District 9** Boone and Webster Townships in Harrison County.

Each year the Board of Directors, by August 1 shall review the Districts and, if determining that they shall be altered so as to correct any substantially inequitable factors regarding the residence of members, or the geographic location of Districts, and/or the number of directors to be elected from or with respect to such Districts accordingly, in which event all Districts as so changed shall be notified via the REMC website and the REMC's monthly magazine, or if needed, by direct mail. After such notice, these Bylaws shall have been effectively amended accordingly: PROVIDED, that no such change shall be so effectuated by the Board as to compel the vacancy of any director's office prior to the time such director's term would normally expire unless such director consents thereto in writing.

SECTION 4.06. Nominations. Nominations of the Board of Directors shall be made by petition as set out in this section.

- (a) The petition shall be signed by no less than 20 members of the Cooperative. There shall be no requirement that the members live within the district from which the nominee is being selected to run. For the purpose of the signature on a petition, a husband and wife shall be deemed one member. In lieu of a petition, incumbent board members may file a written notice at the office of the Cooperative. Member petition signatures, nomination forms, and incumbent candidacy notice forms must be received by the Cooperative by January 20th prior to the annual meeting of the members of the Cooperative. There may be more than one petition for each nominee provided that the combined petitions contain the total number of required signatures.
- (b) The Board of Directors shall approve a form of petition consistent with the terms of this section, and the petition shall be available at the office of the Cooperative.
- (c) No later than November 10th prior to the annual meeting all members shall be given notice by mail informing them of (i) the district or districts from which a Director is to be elected; and (ii) the method by which nominations may be made. This notice may be sent out in the monthly newsletter of the Cooperative.
- (d) Petitions may be filed at the office of the Cooperative beginning December 1st prior to the annual meeting of the members of the Cooperative. No nominations shall be accepted from the floor at the annual meeting nor will be accepted after January 20th prior to the annual meeting.

- (e) Upon receipt of a timely filed petition, the Credentials and Election Committee (section 3.06) shall review the same and determine whether the petition contains the required number of qualified member's signatures and determine if the candidate meets the qualifications as outlined in section 4.02.
- (f) In the event that no qualifying petitions are filed or the nominated Director is not elected, the Board of Directors shall declare a vacancy in the position of Director for that district at its first meeting after the annual meeting. During such meeting the Board of Directors shall appoint a Director to fill that vacancy for the remainder of said three-year term. The Director so appointed must reside in the district for which he or she is being appointed.
- (g) The Cooperative shall mail to each member prior to the Annual Meeting a statement of the number of Directors to be elected and showing separately the incumbent Directors and qualified nominations made by petition by the date listed in Section 3:03. The nominee statement of names may be sent to members by either, listing the names in the REMC newsletter/magazine, listing the names in the Annual Meeting notices, or listing the names on the member's electric bill. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of Directors

SECTION 4.07 Voting for Directors; Validity of Board Action. In the election of directors, each member shall be entitled to cast the number of votes (but not cumulatively) which corresponds to the total number of directors to be elected, but no member may vote for more nominees than the number of directors that are to be elected from or with respect to any particular Directorate District. Ballots marked in violation of the foregoing restriction with respect to one or more Directorate Districts shall be invalid and shall not be counted with respect to such District or Districts. Notwithstanding the provisions contained in this section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of Directors.

SECTION 4.08 Removal of Directors by Members or Board of Directors. Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition signed by not less than five (5%) percent of the total membership of the Cooperative, which petition calls for a special member meeting, the stated purpose of which shall be to hear and act on such charges and, if one or more directors are called, to elect their successor(s) and specifies the place, time and date thereof not less than forty (40) days after filing of such petition, or which requests that the matter be acted upon at

the subsequent annual member meeting if such meeting will be held no sooner than forty (40) days after the filing of such petition. Each page of the petition shall, in the forefront thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s) is (are) being made. The petition shall be signed by each member in the same name as he or she is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than ten (10) days prior to the member meeting at which the matter will be acted upon: PROVIDED, that the notice shall set forth only twenty (20) of the names (in alphabetical order) of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the same director(s). Such director(s) shall be informed in writing of the charges after they have been validly filed and at least twenty (20) days prior to the meeting of the members at which the charge(s) are to be considered, and shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor: PROVIDED, that the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him or her shall have been presented during the meeting through oral statements, documents or otherwise. Provided further that the exercise of judgment shall not be grounds for removal. A newly elected director shall be from or with respect to the same Directorate District as was the director whose office he or she succeeds and shall serve the unexpired portion of the director's term. The term "for cause" as used in this section is defined as being malfeasance in office, that is, the commission of an act which is unlawful or which interrupts or interferes with the performance of official duties.

Any member of the Board of Directors may bring a charge which may serve as the basis for removal of one or more Directors and may request the removal of the Director by filing with the Chairman of the Board a written request for removal that would identify the reason for removal. Upon receipt of the written request for removal, the Chairman shall call for a special meeting giving at least 30 days written notice to all Board members. The Chairman shall also provide all Board members with copies of the received information. At the meeting, the affected Director shall be provided an opportunity to address the charges and the Board of Directors. After receiving information from the affected Director, the Board shall vote to determine whether or not to remove the Director with seven (7) Board Members needing to vote in the

affirmative to remove the Director.

SECTION 4.09 Vacancies. Subject to the provision of these By-laws with respect to the filling of vacancies caused by the removal of directors by the members, or for any other reason, a vacancy occurring on the Board of Directors shall not be filled by the Board of Directors, but instead shall be filled by the election of a Board member by the membership at the next Director election unless the Board of Directors determine that the filling of the vacancy by the Board of Directors is necessary for the proper and continued operation of the Board of Directors. Upon a determination that the filling of the vacancy is necessary, then the Board of Directors shall fill the vacancy. A director thus elected, or appointed, shall serve out the unexpired term of the director whose office was originally vacated and until a successor is elected and qualified: PROVIDED, that such a director shall be from or with respect to the same Directorate District as was the director whose office was vacated.

SECTION 4.10 Compensation: Directors shall, as determined by resolution of the Board of Directors, receive monthly remuneration for the performance of their governance duties. Such remuneration shall be established in an amount of which a predetermined amount shall be subject to monthly board meeting attendance with the balance payable monthly for the performance of routine board-member duties. There shall be no other fees paid without prior approval of the Board of Directors. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be authorized by the Board of Directors upon their certification of such as an emergency measure: PROVIDED, that a director who is also an officer of the board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the Board of Directors.

Expenses: Directors shall also receive reimbursement of travel expenses actually, necessarily, and reasonably incurred, when attending meetings and performing director duties. All such expenses shall be authorized or approved by the Board of Directors.

SECTION 4.11 Rules, Regulations, Rate Schedules and Contracts. The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate schedules, contracts, security deposits and any other types of deposits, payments or charge, including contributions in aid of construction, not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 4.12 Accounting System and Reports. The Board of Directors

shall cause to be established and maintained a complete accounting system of the Cooperative's financial operation and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of, such year. A full and accurate summary of such audit reports shall be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

SECTION 4.13 Subscription to Cooperative's Newsletter; Subscription to Statewide Publication. For the purpose of disseminating information devoted to the economical, effective and conservative use of electric energy, the Board of Directors shall be empowered, on behalf of and for circulation to the members periodically, to subscribe to the Statewide publication, "Electric Consumer" the annual subscription price for which shall be deducted from any funds accruing in favor of such members, so as to reduce such funds in the same manner as would any other expense of the Cooperative.

SECTION 4.14 "Close Relative" Defined. As used in these Bylaws, "Close relative means as a person who by blood or by marriage, including step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, of an employee or director, or is the blood related aunt, uncle, nephew or niece of the employee or director. This definition is not intended to include an aunt, uncle, niece or nephew that is related only by marriage.

ARTICLE V

MEETING OF DIRECTORS

SECTION 5.01 Regular Meeting. A regular meeting of the Board of Directors shall be held, without notice, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual member meeting. A regular meeting of the Board of Directors shall also be held monthly at such date, time and place in one of the counties in Indiana within which the Cooperative serves as the Board shall provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice: PROVIDED, that any director absent from any meeting of the Board at which such a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board; AND PROVIDED FURTHER, that, if a policy therefore is established by the Board, the President may change the date, time and place of a regular monthly meeting for good cause and upon not less than five (5) days' notice thereof to all directors.

SECTION 5.02 Special Meetings. Special meetings of the Board of Directors may be called by Board resolution, the President, or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as herein after provided in Section 5.03. The Board, the President, or the directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties in Indiana within which the Cooperative serves, unless all directors consent to its being held in some other place in Indiana or elsewhere. Special meetings, upon proper notice as otherwise provided herein, may also to be held via telephone conference call, without regard to the actual location of the directors at the time of such telephone conference meeting, if all the directors consent thereto.

SECTION 5.03 Notice of Directors Meetings. Written notice of the date, time, place (or telephone conference call) and purpose or purposes of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each director not less than five (5) days prior thereto, either personally or by mail, by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by him or those calling it in the case of a special meeting or by any director in the case of a meeting whose date, time and place have already been fixed by the Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail,

addressed to the director at his address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. The attendance of a director at any meeting of the Board shall constitute a waiver of notice such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

SECTION 5.04 Quorum. The presence in person or by electronic means, of a majority of the directors in office shall be required for the transaction of business and the affirmative votes of a majority of the directors present and voting shall be required for any action to be taken: PROVIDED, that a director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of directors in office or present; AND PROVIDED FURTHER, that, if less than a quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause directors to be duly and timely notified of the date, time and place of such adjourned meeting.

ARTICLE VI

OFFICERS; MISCELLANEOUS

SECTION 6.01 Number and Title. The officers of the Cooperative shall be President, Vice-President, Secretary and Treasurer, and such other officers as may from time to time be determined by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person.

SECTION 6.02 Election and Term of Office. The four officers named in Section 6.01 shall be elected by **a method determined by the Board of Directors** annually and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of the Bylaws with respect to the removal of directors and to the removal of officers by the Board of Directors. Any other officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable. Notwithstanding any other provision, in order to be eligible for President, a Board member must have served as a Director for at least 3 years. If there are no Directors who have served at least 3 years, then any Board member would then be eligible to serve as President.

SECTION 6.03 Removal. Any officer, agent or employee elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interest of the Cooperative will thereby be served.

SECTION 6.04 Vacancies. A vacancy in any office elected or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term.

SECTION 6.05 President. The President shall -

- (a) be the principal executive officer of the Cooperative and shall preside at all meetings of the Board of Directors, and, unless determined otherwise by the Board of Directors, at all meetings of the members;
- (b) sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 6.06 Vice President. In the absence of the President, or in the event of his inability to act, the Vice President shall perform the duties of the President, and, when so acting, shall have all the power of and be subject to all restrictions upon the President; and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.07 Secretary. The Secretary shall -

- (a) keep, or cause to be kept, the minutes of meetings of the members and of the Board of Directors in one or more books provided for that purpose.
- (b) see that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all documents the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these

Bylaws or is required by law;

- (d) keep, or cause to be kept, a register of the names and post office address of each member, which shall be furnished to the Cooperative by each member;
- (e) sign, with the President, any documents or instruments which shall have been authorized by resolution of the Board of Directors;
- (f) have general charge of the books of the Cooperative in which a record of the members is kept;
- (g) keep on file at all times a complete copy of the Cooperative's Articles of Incorporation and Bylaws, together with all amendments thereto, which copies shall always be open to the inspection of any member, and, at the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto upon request to any member; and
- (h) in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.08 Treasurer. The Treasurer shall –

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or banks or in such financial institutions or securities as shall be selected in accordance with the provisions of these Bylaws; and
- (c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.09 Delegation of Secretary's and Treasurer's Responsibilities. Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Section 6.07 and 6.08, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibilities and authority for, and the regular or routing administration of, one or more of each such officer's such duties to one or more agents, other officers or employees of the Cooperative who are not directors. To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities and authorities.

SECTION 6.10 General Manager; Executive Vice President; Chief Executive Officer. The Board of Directors may appoint a General Manager, who may be, but who shall not be required to be, a member of the Cooperative, and who also may be designated Executive Vice President or Chief Executive Officer. Such officer shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to time vest in him.

SECTION 6.11 Bonds. The Board of Directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of its funds or property to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

SECTION 6.12 Compensation; Indemnification. The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be determined as provided in Section 4.10 of these Bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed or a plan therefore approved by the Board of Directors. The Cooperative shall indemnify directors, officers, including the General Manager (and/or, if so titled, the Executive Vice President or Chief Executive Officer), agents and employees against liability to the extent that their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and, if actionable at all, were based upon good faith business judgments in the belief the acts or omissions were in the best interest of the Cooperative or were not against the best interest of the Cooperative. The Cooperative may purchase insurance to cover such indemnifications.

SECTION 6.13 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 and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII

CONTRACTS, CHECKS AND DEPOSITS

SECTION 7.01 Contracts. Except as otherwise provided by law or these Bylaws, the Board of Directors may authorize any Cooperative officer, agent or employee 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 7.02 Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notices, bonds or other evidences of indebtedness, issued in the name of the Cooperative, shall be signed or countersigned by such officer, agent or employee of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 7.03 Deposits; Investments. All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the Board of Directors may select.**ARTICLE VIII**

MEMBERSHIP CERTIFICATES

SECTION 8.01 Certificate of Membership. Membership in the Cooperative may, if the Board so resolves, be evidenced by a certificate of membership, which shall be in such form and contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Cooperative's Articles of Incorporation or its Bylaws. Such certificate, if authorized to be issued by the Board, shall be signed by the President and by the Secretary, and the seal shall be affixed thereto; PROVIDED, that the seal and the signatures of the President and the Secretary may be imprinted thereon or facsimile.

SECTION 8.02 Issue of Membership Certificates. No membership certificates shall be issued for less than the membership fee fixed by the Board of Directors nor until such membership fee, any required service security deposits, facilities extension deposits, service connection fees, or contributions in aid to construction have been fully paid.

SECTION 8.03 Lost Certificate. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefore upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

ARTICLE IX

NON-PROFIT OPERATION

SECTION 9.01 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 9.02 Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit 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 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 as capital. Patronage refunds in connection with market based rates or other specifically designed commercial/industrial rates may be excluded from capital credit allocations or may have a reduced allocation factor, as determined by the Cooperative. Except as set forth above, 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 the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account; PROVIDED that individual notices of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for himself the specific amount of capital so credited to him. All such amounts credited to the capital account of each 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 a part of the capital credited to the account 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; PROVIDED, that insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during that period, insofar as is practicable, as determined by the Board of Directors before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made in order of capital first received, capital last received, or a combination of first and last received. PROVIDED, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply or other service or supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing power supply or other service or supply to the Cooperative. Such rules shall (a) establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's patrons, (c) provide for appropriate notification to patrons with respect to such portions of capital credited to their accounts and (d) preclude a general retirement of such portions of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year.

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

The Cooperative, before retiring any capital credited to any patron's account, shall deduct there from any amount owing by such patron to the Cooperative, together with interest thereon at the Indiana legal rate on judgments in effect when such amount

became overdue, compounded annually.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Article 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.

SECTION 9.03 Patronage Refunds in Connection with Furnishing Other Service. In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons from whom such amounts were obtained at such time and in such order or priority as the Board of Directors shall determine.

SECTION 9.04 – Retiring Capital Credits. At the sole discretion of the Board of Directors, the Cooperative may retire and pay Capital Credits allocated to Patrons and former Patrons as provided in these Bylaws and by the Policies of the Cooperative as adopted by the Board of Directors.

- (a) **General Capital Credit Retirements.** At any time before the Cooperative's dissolution, liquidation, or other cessation of existence, the Cooperative may generally retire and pay some or all Capital Credits allocated to Patrons and former Patrons.
- (b) **Special Capital Credit Retirements.** The Cooperative may specially retire and pay some or all Capital Credits allocated to an individual Patron or former Patron: (1) after the death of the individual; (2) after receiving a written request, on forms approved by the REMC, from the deceased individual's legal representative or individual entitled to the Capital Credit payment.
- (c) **Discounted Capital Credit Payments.** As determined by the Board, before the time the Cooperative anticipates normally retiring and paying Capital Credits, the Cooperative may retire some or all Capital Credits and pay the net present value of the retired Capital Credits provided that the retirement is done consistent with these Bylaws and the Policies of the REMC as adopted by the Board of Directors.

Notwithstanding any other provision of these Bylaws, the Board of Directors at its discretion, shall have the power at any time upon the death of any patron, provided the legal representative of his or her estate or the person entitled to receive the assets of the deceased patron shall request in writing, on forms approved by the REMC, that such capital credits be retired prior to the time that such capital would otherwise be retired under the provisions of these Bylaws, to retire capital, and discount such capital as the Board of Directors shall so determine.

ARTICLE X

UNCLAIMED FUNDS OF MEMBERS

Any provision contained herein to the contrary notwithstanding and pursuant to the applicable statutes of the State of Indiana, the Cooperative shall recover any capital credits, patronage refunds, utility deposits, account balances, or book equity which remain unclaimed for a period of two years following attempted payment by the Cooperative to the member or former member entitled thereto. Prior to the recovery of such unclaimed funds, the Cooperative shall give public notice, in a newspaper published in the county in which the present or former member's premises are or were being served by the Cooperative and in the cooperatives monthly magazine or newsletter. Thereafter, any such unclaimed funds shall be reallocated to retained equity of the Cooperative as of the year in which the sixtieth (60) day falls following publication of the above described newspaper notice. All unclaimed funds recovered by the Cooperative and reallocated as set forth hereinabove shall be considered an irrevocable assignment and gift to the Cooperative of such funds by the member formerly entitled thereto. Nothing contained in this section shall be construed to prohibit the Cooperative from crediting any of the above described funds against any amounts owed by the member or former member to the Cooperative prior to any payment to such member or any allocation in favor of other members.

ARTICLE XI

WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by these Bylaws or any notice that may otherwise be legally required, either before or after such notice is required to be given.

ARTICLE XII

DISPOSITION AND PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

SECTION 12.01 Disposition and Pledging of Property.

- (a) Not inconsistently with the provisions of Ind. Code Section 8-1-13-12 and of subsection (b) hereof, the member of the Cooperative may, subject to approval of the Indiana Utility Regulatory Commission, at a duly held meeting of the members, authorize the sale, lease, lease-sale, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Cooperative's property and assets by the affirmative votes of a majority of the total members of the Cooperative. However, the Board of Directors, without authorization by the members but subject to approval of the Public Service Commission if the Cooperative does not have an outstanding mortgage in favor of any federal agency, shall have full power and authority (1) to borrow monies from any source and in such amounts as the board may from time to time determine, (2) to issue the Cooperative's obligation evidencing such borrowing, and (3) to mortgage or otherwise pledge or encumber any or all of the Cooperative's property or assets as security therefore. The Board shall also have full power and authority, without requirement of any member authorization or Commission approval, to sell, lease, lease-sell, exchange, transfer or otherwise dispose of merchandise, or of property no longer necessary or useful for the operation of the Cooperative, or of less than substantially all of the Cooperatives' property and assets.
- (b) Supplementary to the first sentence of the foregoing subsection (a) and any other applicable provisions of law or these Bylaws, no sale, lease, lease-sale, exchange, transfer or other disposition of all or substantially all of the Cooperative's property and assets shall be authorized except in conformity with the following:
- (1) If the Board of Directors looks with favor upon any proposal for such sale, lease, lease-sale, exchange, transfer or other disposition, it shall first cause three (3) independent, non-affiliated appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange, transfer or other disposition and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be

designated by a Circuit Court Resident Judge for the Judicial District in Indiana in which the Cooperative's headquarters are located. If such judge refuses to make such designations, they shall be made by the Board of Directors.

- (2) If the Board of Directors, after receiving such appraisals (and other terms and conditions which are submitted, if any), determine that the proposal should be submitted for consideration by the members, it shall first give every other rural electric cooperative corporately sited and operating in Indiana (which has not made such an offer for such sale, lease, lease-sale, exchange, transfer or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such rural electric cooperatives, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three (3) appraisers. Such rural electric cooperatives shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

- (3) If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members not less than sixty (60) days before noticing a special meeting of the members thereon or, if such be the case, the next annual member meeting, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not less nor more than thirty (30) days after the giving of notice thereof to the members: PROVIDED, that consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is held not less nor more than thirty (30) days after the giving of notice of such meeting.

- (4) Any fifty (50) or more members, by so petitioning the Board not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

The provisions of this subsection (b) shall not apply to a sale, lease, lease-sale, exchange, transfer or other disposition to one or more other rural electric cooperatives if the substantive or actual legal effect thereof is to merge or consolidate with such other one or more rural electric cooperatives. Such merger or consolidation should then be done in accordance with the laws of the State of Indiana.

SECTION 12.02 Distribution of Surplus Assets on Dissolution.

Upon the Cooperative's dissolution, any assets remaining after all liabilities or obligation of the Cooperative have been satisfied and discharged shall, pursuant to Ind. Code 8-1-13-21, pass to and become the property of the state.

ARTICLE XIII

FISCAL YEAR

The Cooperative fiscal year shall begin on the first day of the month of January of each year and end on the last day of the month of December following.

ARTICLE XIV

RULES OF ORDER

Parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the members or Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or Bylaws.

ARTICLE XV

SEAL

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

ARTICLE XVI

AMENDMENTS

These Bylaws may be altered, amended or repealed by resolution of the Board of Directors at any regular or special Board meeting, but only if the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal, or an accurate summary explanation thereof.