

**DECATUR COUNTY RURAL
ELECTRIC MEMBERSHIP CORPORATION**

Bylaws

**ARTICLE 1
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," or "the member") who has the capacity to enter legally binding contracts shall be eligible to become a member of Decatur County Rural Electric Membership Corporation (hereinafter called "REMC"). The member shall receive electric service at one or more premises owned or directly occupied or used by the member.

Section 1.02. Application for Membership; Renewal of Prior Application

In the application for membership, the applicant shall agree:

- a. to purchase electric power and energy from the REMC.
- b. to be bound by and to comply with all of the other provisions of the REMC's Articles of Incorporation and Bylaws, and all rules, regulations and rate schedules as now exist or may be duly adopted, amended and promulgated.

These obligations shall hereinafter be called "membership obligations." The Board of Directors may require that the application be accompanied by a supplemental contract for certain classifications of service. The membership application shall be accompanied by the membership fee provided for in Section 1.03 and any required additional fees which shall include service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the REMC. These fees shall be refunded in the event the application is not approved.

A former member of the REMC may renew the membership by paying a new membership fee, any outstanding account plus any additional fees. That person shall be required to sign a new membership application if the former membership has been terminated.

Section 1.03. Membership Fee; Service Security and Facilities Extension Deposits; Contribution in Aid of Construction

Any person, firm, association, corporation, body politic or subdivision thereof applying for service shall pay a membership fee in an amount to be determined by the Board of Directors and, if applicable, a cash deposit in an amount to be determined by the Board of Directors. A membership fee for each member shall be paid only one time for that member, but the cash deposit, if applicable, may be required for all service connections. Refunds of duplicate membership fees shall be made by the REMC promptly after the REMC has knowledge that duplicate memberships exist.

Membership fees shall be refundable under the following conditions:

- a. The member has paid membership fees for more than one service connection and the member's account is current.

- b. Service has been terminated at all service connection points established for the member.
- c. After payment of all charges made by the REMC for the electricity provided through the meter at all service connections and after payment of all other charges made by the REMC in connection with providing service to the member.

After final service to any member has been terminated, the membership fee and any cash deposit shall be applied without notice toward the payment of any charges made by the REMC. If a balance remains, it shall be refunded.

If a member is entitled to a refund after termination of services, a check shall be mailed to the member at the member's current address as shown on the records of the REMC. If the check is not cashed or is returned within a period of 120 days, the refund shall be considered unclaimed funds of the member and shall be handled as provided in Article X.

Section 1.04. Joint Membership

A married couple, by their written application, may be accepted into joint membership. If one of them is already a member, the membership may automatically be converted into a joint membership by having the other spouse sign a written application. Persons other than married couples may have joint membership if each signs the membership application showing that it is a joint membership. The words "member," "applicant," or "person," as used in these Bylaws shall include the persons applying for or holding a joint membership, unless otherwise clearly distinguished in the text. 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; PROVIDED, that if both are present but in disagreement on a vote, each shall cast only one-half (1/2) 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; and
- e. either, but not both concurrently, shall be eligible to serve as a Director of the REMC, if the person seeking to be a Director meets the qualifications required therefore.

Section 1.05. Acceptance into Membership

Upon complying with the requirements set forth in Section 1.02, any applicant shall by Board action be accepted into membership in, and become eligible to receive electric service from the REMC unless the Board of Directors shall determine that the applicant is not willing or is not able to satisfy and abide by the REMC's terms and conditions of membership or that the application should be rejected for other good cause. The Board shall promptly act on all applications.

Section 1.06. Purchase of Electric Power and Energy; Power Production by Member; Application of Payment to all Accounts

The REMC shall use reasonably diligent efforts to furnish its members with adequate and dependable electric service. The REMC cannot and therefore does not guarantee a continuous and uninterrupted supply thereof. Each member shall purchase from the REMC all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the REMC pursuant to the membership, unless and except to the extent that the Board of Directors may in writing waive this requirement. The member shall pay at the times, 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 in Section 1.02. Production or use of electric energy on these premises, regardless of the source thereof, by means of facilities which shall be interconnected with REMC facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the REMC. Each member shall also pay all other amounts owed by the member to the REMC as and when they become due and payable. When the member has more than one service connection from the REMC, any payment by the member for service from the REMC shall be deemed to be allocated and credited on a pro rata basis to the outstanding accounts for all service connections although the REMC's actual accounting procedures may not reflect the allocation and proration.

Section 1.07. Excess Payments to be Credited as Capital Credits

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 Therefor; Responsibility for Meter Tampering or Bypassing and for Damage to REMC Properties; Indemnification

Each member shall cause all premises receiving electric service pursuant to the membership to become and to remain wired in accordance with the specifications of the Indiana Fire Insurance Underwriters Association; the National Electric Code, any applicable state code or local government ordinances, and of the REMC. Each member shall be responsible for and shall indemnify the REMC and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of the premises and all wiring and apparatuses connected thereto or used thereon. Each member shall make available to the REMC a suitable site, as determined by the REMC, whereon to place the REMC's physical facilities for the furnishing and metering of electric service and shall permit the REMC'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 service, each member shall be the REMC's bailee of the facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to the facilities, and shall use the best efforts to prevent others from so doing. Each member shall also provide protective devices to the member's

premises, apparatuses or meter base as the REMC shall from time to time require in order to protect the REMC's physical facilities and their operation and to prevent any interference with or damage to the REMC's facilities. In the event the REMC's 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 them, the member shall indemnify the REMC and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the REMC's cost of repairing, replacing or relocating any facilities from the failure or defective functioning of its metering equipment. The REMC shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from error occurring in the REMC's billing procedures. In no event shall the responsibility of the REMC for furnishing electric service extend beyond the point of delivery.

Section 1.09. Member to Grant Easements to REMC and to Participate in Required REMC Load Management Programs

Each member shall, upon request by the REMC, execute and deliver to the REMC grants of easement or right-of-way over, on and under the lands owned or leased by or mortgaged to the member, and in accordance with any reasonable terms and conditions, as the REMC shall require for the furnishing of electric service to the member or other members or for the construction, operation, maintenance or relation of the REMC's electric facilities. Each member shall participate in any required program that may be established by the REMC to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

Section 1.10. Membership List

A listing of the REMC membership will only be provided to the associated organizations that need the list to provide specific services to the REMC. Directors and Nominating Committee members will receive that portion of the listing pertaining to the District which he/she represents. Any other request for a membership listing must be approved by the Board of Directors. Any person receiving a complete or partial list of memberships shall sign an agreement stating:

- a. The membership list will only be used for purposes relating to the REMC's business.
- b. The membership list will not be used for commercial purposes.
- c. The membership list will not be sold.
- d. The person receiving the membership list agrees to be liable for any damages to the REMC or its members for improper use of the membership list.

ARTICLE II Membership Suspension and Termination

Section 2.01. Suspension; Reinstatement

A person's membership shall automatically be suspended upon failure, after the expiration of the initial time limit prescribed either in a specific notice to member or in the REMC's generally publicized applicable rules and regulations, to pay any amounts due the REMC or to cease any other noncompliance with membership obligations. During the

suspension, that person shall not be entitled to receive electric service from the REMC or to cast a vote at any meeting of the members. Payment of all amounts due the REMC, including any additional charge required for the reinstatement, and/or cessation of any other noncompliance with membership obligations within the final time limit provided in the notice or rules and regulations shall automatically reinstate the membership, and thereafter entitle the member to receive electric service from REMC and to vote at the meetings 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, that person may, without further notice, but only after due hearing if that person requests a hearing, be expelled by action of the Board of Directors at any subsequently held regular or special meeting of the Board. The expelled person may appeal the decision by delivering written notice of an appeal to the REMC at least ten (10) days prior to the next meeting of the members. The expelled member may attend and present his/her arguments and the Board may present its position. The members may vote to approve or disapprove the expulsion. If the expulsion is disapproved, the membership shall be reinstated retroactively to the date of expulsion. After final expulsion of a member, that person may not again become a member except upon new application therefore duly approved as provided in Section 1.05. The Board of Directors may establish any additional terms and conditions for renewed membership as it determines to be reasonable necessary to assure the applicant's compliance with all membership obligations.

Section 2.03. Termination by Withdrawal or Resignation

A member may withdraw from membership upon conditions as the Board of Directors shall prescribe. This may be done by:

- a. ceasing to own or directly occupy or use the premises being furnished electric energy pursuant to member's ownership;
- b. with the approval of the Board of Directors, resigning membership in favor of a new applicant who also shall own or directly occupy or use all premises being furnished electric service pursuant to membership, or
- c. abandoning totally and permanently the use of central station electric service on the premises, except when the Board of Directors specifically waives any conditions.

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 the person's membership. The cessation of the legal existence of any other type of member shall automatically terminate the membership. Neither a withdrawing partner nor the partner's estate shall be released from and debts due the REMC.

Section 2.05. Effect of Termination

Upon the termination of a membership, the member shall be entitled to a refund of the membership fee, and to the service security deposit, less any amounts due the REMC.

Neither the member nor the member's estate shall be released from any debts or obligations then remaining due the REMC. Notwithstanding the suspension or expulsion of a member, as provided for in Sections 2.01 and 2.02, the suspension or expulsion shall not, unless the Board of Directors shall expressly so elect, constitute a release of member from membership obligations as to entitle the member to purchase from any other person central station electric power and energy for use at the premises to which the service has theretofore been furnished by the REMC pursuant to the 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, the membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though the membership had never been joint. The estate of the deceased spouse shall not be released from any debts due the REMC. Upon the legal separation or divorce of the holders of a joint membership, the membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by the membership in the same manner and to the same effect as though the membership had never been joint. The other spouse shall not be released from any debts due the REMC.

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 shall by appropriate action formally acknowledge the termination, effective of the date on which the REMC ceased furnishing electric service to the person. Upon discovery that the REMC has been furnishing electric service to any person other than a member, it shall cease furnishing service unless that person applies for, and the Board of Directors approves, membership retroactively to the date on which that person first began receiving service, in which event the REMC, to the extent practicable, shall correct its membership and all related records accordingly.

ARTICLE III Meetings of Members

Section 3.01. Annual Meeting

The Annual Meeting of the members shall be held at any time within the period between March 1 and May 1 of each year, at the hour and place in Decatur County, Indiana, as shall be designated by resolution of the Board of Directors adopted not less than fifty (50) days prior to the time of the meeting. The purpose of the meeting shall be the election of Directors by secret ballot, presenting of reports covering the previous calendar year and transacting of other business as may come before the meeting. Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution on the REMC. 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.

Section 3.02. Special Meetings

Special Meetings of the members may be called by the Chairperson, by resolution of the Board of Directors, or upon a written request signed by at least ten percent (10%) of all the

members. It shall thereupon be the duty of the Secretary to cause notice of the meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within Decatur County, Indiana, as specified in the notice of the special meeting. The Board of Directors shall determine the time and place of the meeting but it may not be held sooner than forty (40) days after the call for the meeting.

Section 3.03. Notice of Member Meeting

Written or printed notice of the place, day and hour of the meeting, any business requiring special notice, and purpose of the meeting shall be delivered to each member not less than (10) days nor more than sixty (60) days prior to the date of the meeting, either personally or by mail, by or at the direction of the Chairperson or Secretary. The notice shall include the names of each nominee for a directorship and the names of each nominee for the Nominating Committee. Any notice delivered by mail may be included with member service billing if the notice is mailed in a sealed envelope. No matter which requires the affirmative votes of at least a majority of all the REMC's members shall be acted upon at any meeting of the members unless notice of the matter shall have been contained in the notice of the meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope addressed to the member at member's address as it appears on the records of the REMC, with postage thereon prepaid and postmarked at least ten (10) days prior to the meeting date. The date of the meeting shall not be counted in making that computation. The incidental and non-intended failure of any member to receive a notice deposited in the mail addressed to the member at member's address as shown on the REMC's books shall not invalidate any action which may be taken by the members at any meeting. The attendance in person of a member at any meeting of the members shall constitute a waiver of notice of the meeting unless that attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending a meeting for the purpose of making an objection shall notify the Secretary prior to or at the beginning of the meeting of his objection.

Section 3.04. Quorum

Business may not be transacted at any meeting of the members unless at least two percent (2%) of the REMC members are present in person. After it is determined that a quorum is present, a meeting may continue although a quorum is not present thereafter. If less than a quorum is present 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 Decatur County, Indiana. The Secretary shall notify any absent members of the time, date and place of the 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 at any meeting of the members. A member shall have only one vote although the member may have more than

one meter. Voting by members other than members who are natural persons shall be allowed upon the presentation to the REMC, prior to or upon registration at each member meeting, of satisfactory evidence entitling that person to vote for the member. However, the individual who casts the vote of this member may not vote any other membership.

An individual may cast only one vote. Members may not cumulate their votes or vote by proxy or mail. At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by the Articles of Incorporation or by law.

Section 3.06. Nominating Committee Duties

The Nominating Committee described in Section 4.04, shall:

- a. keep itself advised of the directorships to be elected at each election and shall investigate prospective nominees with the view of obtaining qualified persons with proper representation of the Membership, geographically, numerically, without regard to race, sex, or creed.
- b. nominate at least two persons for each expiring or vacant directorship for the next annual meeting at least 90 days before the annual meeting;
- c. Prepare and post at the principal office of the REMC and cause to be published in the REMC's newsletter at least sixty (60) days before the Annual Meeting a list of nominations for Directors;
- d. Count all ballots in any election and other voting matter with the assistance of REMC employees; and
- e. Rule upon the validity of any ballots and other voting issues on the day of election.

Section 3.07. Credentials and Election Committee

Members of the Board of Directors who are not standing for election at an annual meeting shall serve as the Credential and Election Committee. The Committee shall:

- a. approve the manner of conducting the election including registration, ballots and voting proceedings; and
- b. Rule upon all other questions that may arise relating to member voting and the election of Directors and other voting issues after the day of election. This includes but is not limited to the validity of petitions of nomination or qualifications of candidates and the regularity of the nomination and election of directors

Section 3.08. Election Contests

A protest or objection concerning any election or voting matter must be filed with the Credential and Election Committee within three (3) business days following the adjournment of the meeting in which the voting is conducted. A protest or objection shall state in writing the reasons for the objection or protest and shall be signed by a member.

The Credentials and Election Committee shall meet seven (7) or more days after the protest or objection is filed. The Committee Chairperson shall give notice of the meeting. The committee shall hear evidence as presented by the protestor(s) or objector(s), and any candidate affected by the protest. These persons may be heard in person, by counsel, or both. The committee may require that witnesses testify under oath and may make other rules for the proceeding.

The Committee may not affirmatively act on any matter unless a majority is present. A decision of the committee shall require a majority of those present but not less than four (4) votes. The committee shall, within a reasonable time but not later than thirty (30) days after the hearing, render its decision. The committee may affirm the election, change the outcome thereof, or set it aside. The committee's decision on all matters covered by this Section shall be final.

If the Election Committee cannot reach a decision then the full board of directors less any directors whose position would be affected by the decision shall make the decision.

Section 3.09. Order of Business

The Chairperson shall determine the agenda and order of business for member meetings.

ARTICLE IV Directors

Section 4.01. Number and General Powers

The business and affairs of the REMC shall be managed by a Board of eight (8) Directors. The Board shall exercise all of the powers of the REMC except as limited by law or the REMC's Articles of Incorporation or Bylaws.

Section 4.02. Director Standard of Conduct

A Director shall discharge the Director's duties, including duties as a Board Committee member:

- a. in good faith
- b. with the care an ordinarily prudent person in like position would exercise under similar circumstances.
- c. in a manner the Director reasonably believes to be in the REMC's best interests.

In discharging a Director's duties, including duties as a Board Committee member, a Director may rely upon information, opinions reports, or statements, including financial statements and other financial data prepared or presented by:

- a. an officer or employee of the REMC whom the Director reasonably believes to be reliable and competent in the matters prepared or presented.
- b. legal counsel, public accountants, or other individuals regarding matters the Director reasonably believes are within the individual's professional or expert competence.
- c. a Board Committee regarding matters within the Board Committee's jurisdiction, if the Director reasonably believes a Board Committee of which the Director is not a member, merits confidence.

If a Director complies with this Bylaw, the Director is not liable to the REMC, any member, or any other individual or entity for action taken, or not taken, as a Director. No Director is deemed a trustee regarding the REMC or any property held or administered by the REMC, including without limitation, property potentially subject to restrictions imposed by the property's donor or transferor.

Section 4.03. Director Qualifications

A Director or Director candidate must comply with this Bylaw. The REMC may conduct an investigation, or require information, to determine whether a Director or Director candidate complies with this Bylaw.

- (a) General Director Qualifications. To become and remain a Director, a person must comply with the following general qualifications (“General Director Qualifications”):
 - (1) be an individual;
 - (2) have the capacity to enter legally binding contracts;
 - (3) be lawfully present in the United States of America;
 - (4) not have been previously removed or disqualified as a Director;
 - (5) while a Director, and during the five years immediately before becoming a Director, not be convicted of, or plead guilty to, a felony;
 - (6) before becoming a Director, graduate from high school or earn an equivalent degree or certification;
 - (7) except as otherwise provided by the Board for good cause, attend at least two-thirds of all Board Meetings during each twelve-month period following the annual meeting of the members; and
 - (8) comply with any other reasonable qualifications determined by the Board, including, but not limited to, the Director Conduct policy and other policies applicable to Directors that are enacted by the Board.

- (b) Membership Director Qualifications. To become and remain a Director, an individual must, while a Director and during the one (1) year immediately prior to becoming a Director, comply with the following membership qualifications (“Membership Director Qualifications”):
 - (1) Be a member of the REMC in good standing; and
 - (2) For at least eight (8) months each calendar year occupy as a primary residence and use electric energy provided by the REMC at a location within the Director District from which the Director is nominated or elected.

- (c) Independence Director Qualifications. To become and remain a Director, an individual must comply with the following independence qualifications (“Independence Director Qualifications”):
 - (1) annually complete and sign an independence certification and disclosure form approved by the Board;
 - (2) while a Director and during the five (5) years immediately before becoming a Director, not be an employee of the REMC or an employee of an entity controlled by the REMC or in which the REMC owns a majority interest;
 - (3) while a Director, not be a close relative of any existing Director, officer, or employee or incumbent Nominating Committee member of the REMC;
 - (4) while a Director, not be employed by, materially affiliated with, nor sharing a material financial interest with, any other Director;

- (5) while a Director and during the one (1) year immediately before becoming a Director, not be a party in a mediation, arbitration, lawsuit, or other legal action against or by the REMC or any of its subsidiaries; and
- (6) while a Director, not be engaged in any business, nor employed by, materially affiliated with, nor having a material financial interest in any entity, nor be a close relative of someone who has a material financial interest in any entity, other than an entity in which the REMC owns an interest, that:

- a. Regularly, directly, and substantially competes with the REMC or a subsidiary of the REMC; or
- b. Regularly sells goods or services in substantial quantity to the REMC or a subsidiary of the REMC; or
- c. Possesses any conflict of interest with the REMC or a subsidiary of the REMC that is not resolved within a reasonable time in accordance with Section 4.13, to the satisfaction of the Board.

(d) Director Disqualification. After being elected, if a Director does not comply with all General Director Qualifications, Membership Director Qualifications, and Independence Director Qualifications (collectively, "Director Qualifications"), then, except as otherwise provided by the Board for good cause, the Board may, by majority vote, disqualify the Director and the individual is no longer a Director if:

- (1) the Board notifies the Director in writing of the basis for, and provides the Director an opportunity to comment regarding, the Board's proposed disqualification; and
- (2) within thirty (30) days after the Board notifies the Director of the proposed disqualification, the Director neither complies with nor meets the Director Qualification.

If a majority of Directors authorized by these Bylaws complies with the Director Qualifications and approves a Board action, then the failure of a Director to comply with the Director Qualifications does not affect the Board action.

Section 4.04. Nominating Committee and Nominations

There shall be a Nominating Committee composed of the same number of persons as there are members of the Board of Directors. The Nominating Committee shall be elected by secret ballot at the Annual Meeting. The term of members of the Nominating Committee shall be three (3) years. Members of the Nominating Committee shall serve until the Annual Meeting of the members of the year in which their terms expire or until the successors have been elected and shall have qualified. Members of the Nominating Committee shall be so nominated and elected that:

- a. one (1) member from each of the Director Districts Nos. 1, and 3 shall be elected for three (3) year terms at the 2013 annual member meeting;
- b. one (1) member from each of the Director Districts Nos. 2, 4, and 5 shall be elected for three (3) year terms at the 2014 annual member meeting;
- c. one (1) member from each of the Director Districts Nos. 6, 7, and 8, shall be elected for three (3) year terms at the 2015 annual member meeting; and so forth.

The qualifications of members of the Nominating Committee shall be the same as for members of the Board of Directors. No person shall serve on the Nominating Committee longer than three (3) successive years. Vacancies on the Nominating Committee may be filled by the remainder of the Committee to serve until the next Annual Meeting. A person serving on the Nominating Committee shall not be eligible to stand for election to the Board of Directors during the member's term on the Nominating Committee. A member of the Nominating Committee may not become eligible to run for a directorship by resigning or withdrawing from the Nominating Committee.

Members may be nominated for openings on the Nominating Committee by a petition filed at the headquarters building at least sixty (60) days before the annual meeting. If at least two (2) nominations for each opening on the Nominating Committee have not been filed, the Board of Directors shall nominate one (1) or two (2) persons for each Nominating Committee position so that the members shall have a choice of candidates for each opening on the Nominating Committee.

The Nominating Committee shall elect a Chairperson, Vice Chairperson, and a Secretary of its own members for a term of one year. The Nominating Committee shall meet upon call of its Chairperson, or any four (4) members after written notice by first class mail sent to all Members not less than fourteen (14) days prior to the meeting. The President of the REMC may call the meeting. The meeting shall be held at the date, time, and place in Decatur County, Indiana, as set by the Committee Chairperson. The meeting, upon proper notice as otherwise provided herein, may also be held via telephone conference call, without regard to the actual location of the members at the time of the telephone conference meeting, if all the members consent thereto.

The Nominating Committee shall have the use of the REMC's facilities and personnel when and as required by the Committee. Members who have complaints or legitimate inquiries about the action of the Board of Directors or of any of its members may address the same to the Chairperson of the Nominating Committee and the Committee may make recommendations to the Board of Directors.

Failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of the election of the Directors.

Section 4.05. Nomination of Directors by Petition

Any fifty (50) or more members may make other nominations in writing over their signatures not less than forty-five (45) days prior to the meeting and filed at the headquarters building. The Secretary of the REMC shall post that nomination with the nominations made by the Committee. The recommendation shall be published in the REMC's Newsletter if time permits.

Section 4.06. Voting Districts

The territory served by the REMC shall be divided into eight (8) Director districts. Each district shall be represented by one Director. The districts are as follows:

District No. 1 In Twp. 10 N, R 9 E, Sections 3 through 5, 8 through 11, 14 through 17; In Twp. 11 N, R 8 E, Sections 1, 2, 10 through 15; In Twp. 11 N, R 9 E, Sections 2 through 11, 14 through 18, 20 through 23, 26 through 29, 32 through 35; In Twp. 12 N, R 8 E, Sections 35, 36; In Twp. 12 N, R 9 E, Sections 26, 31 through 35;

District No. 2 In Twp. 11 N, R 9E, Sections 1, 12, 13, 24, 25, 36; In Twp. 11 N, R 10 E, Sections 3 through 10, 12, 13, 15 through 32; In Twp. 11 N, R 11 E, Sections 7, 8, 9, 15 through 21, 27 through 30;

District No. 3 In Twp. 10 N, R 9 E, Sections 1, 12, 13; In Twp. 10 N, R 10 E, Sections 1 through 18; In Twp. 10 N, R 11 E, Sections 3 through 18 22, 23, 27 and parts of Sections 24, 26, and 34 in Franklin County; In Twp. 10 N, R 12 E, Sections 7 and 18; In Twp. 11 N, R 10 E, Sections 33 through 36; In Twp. 11 N, R 11 E, Sections 31 through 34;

District No. 4 In Twp. 9 N, R 8 E, Sections 1, 2, and 11 through 14; In Twp. 9 N, R 9 E, Sections 1 through 5 and 7 through 18; In Twp. 10 N, R 8 E, Sections 1 through 18 and 20 through 36; In Twp. 10N, R 9 E, Section 6, 7, and 18 through 36; In Twp. 11 N, R 8 E, Sections 23 through 27 and 34 through 36; In Twp. 11 N, R 9 E, Sections 19, 30, and 31;

District No. 5 In Twp. 8 N, R 7 E, Section 13; In Twp. 8 N, R 8 E, Section 1 through 18; In Twp. 8 N, R 9 E, Section 4 through 8, and parts of Sections 2, 3, 9, 10, 17, and 18 in Decatur County; In Twp. 9 N, R 7 E, Sections 1, 12, 13, and 24; In Twp. 9 N, R 8 E, Sections 3 through 10, and 15 through 36; In Twp. 9 N, R 9 E, Sections 19 through 35 and part of Section 36 in Decatur County; In Twp. 10 N, R 7 E, Section 36;

District No. 6 In Twp. 7 N, R 7 E, Section 1; In Twp. 7 N, R 8 E, Sections 1 through 6, 8 through 16, 23, 24; In Twp. 7 N, R 9 E, Sections 5 through 8, 17, 18, 19; In Twp. 8 N, R 7 E, Sections 24, 25, 36; In Twp. 8 N, R 8 E, Sections 19 through 36; In Twp. 8 N, R 9 E, Sections 1, 11 through 16, 19, 20, 29 through 32 and part of Sections 2, 3, 9, 10, 17, 18 in Jennings County; In Twp. 8 N, R 10 E, Section 6; In Twp. 9 N, R 9 E, parts of Section 36 in Jennings County; In Twp. 9 N, R 10 E, parts of Sections 30 and 31 in Jennings County;

District No. 7 In Twp. 8 N, R 10 E, Sections 1, 3, 4, 5; In Twp. 8 N, R 11 E, Sections 5, 6; In Twp. 9 N, R 10 E, Sections 1 through 30, 32 through 36, and parts of Sections 31 in Decatur County; In Twp. 9 N, R 11 E, Sections 5 through 8, Sections 17 through 20, Sections 29 through 32, and part of Section 4 in Decatur County; In Twp. 10 N, R 10 E, Sections 19 through 36; In Twp. 10 N, R 11 E, Sections 19 through 21, Sections 28 through 32, and part of Section 33 in Decatur County;

District No. 8 In Twp. 8 N, R 11 E, Sections 1 and 12; In Twp. 8 N, R 12 E, Sections 4 through 9, 16, 17, and 18; In Twp. 9 N, R 11 E, Sections 1, 2, 3, 9 through 16, 21 through 28, 33, 35, 36 and part of Section 4 in Ripley County; In Twp. 9 N, R 12 E, Sections 4 through 9, 16 through 22, 27 through 33; In Twp. 10 N, R 11 E, Sections 35, 36, and parts of Sections 26 and 34 in Ripley County; In Twp. 10 N, R 12 E, Section 31;

In determining eligibility the location of the principal residence of the individual shall be conclusive, notwithstanding the location of the major area of the farm or unit served.

No change in districts shall be so effectuated by the Board as to compel the vacancy of any Director's office prior to the time that Director's term would normally expire unless that Director consents thereto in writing.

Section 4.07. Election

Director and members of the Nominating Committee shall be elected by secret written ballot by the members at each Annual Meeting of the members. Directors and the Nominating Committee members shall be elected by a plurality of the votes cast. The ballots shall be printed. The ballots shall list the candidates nominated by the Nominating Committee and by petition, if any, arranged by districts. Each member of the REMC present in person or an organization by its representative at the meeting shall be entitled to one vote

for each candidate from each district. The candidate from each district receiving the highest number of votes at the meeting shall be considered elected.

If two or more opposing candidates receive the same number of votes for a directorship or for membership of the Nominating Committee, the votes shall be recounted. If there is still a tie after the recount, the members shall be advised of the tie vote. New ballots shall be distributed and the members shall vote again for the candidates who had the tie vote. The procedure shall be followed until a winner is determined.

Section 4.08. Tenure

Directors shall be so nominated and elected that one Director from each of the Director Districts Nos. 1 and 2 shall be elected for three-year terms at the 2013 Annual Meeting; one Director from each Director District Nos. 3, 4, and 7 shall be elected for three-year terms at the 2014 Annual Meeting; and one Director from each Director District Nos. 5, 6 and 8 shall be elected for three-year terms at the 2015 Annual Meeting, and so forth. Upon their election, Directors shall serve until the Annual Meeting of the members of the year in which their terms expire or until their successors shall have 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, the election may be held at an adjournment of the meeting 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 4.09. 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. 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 District shall be invalid and shall not be counted with respect to the District or Districts. Notwithstanding the provisions contained in this Section, failure to comply with any provisions shall not affect the validity of any action taken by the Board of Directors after the election of Directors.

Section 4.10. Removal of Directors by Members

Any member may bring one or more charges for cause against any one or more Directors and may request the removal of the Director. The charges shall be in writing and shall be filed with the Secretary together with a petition signed by not less than ten percent (10%) of the total membership of the REMC. The petition shall call for a special member meeting to hear and act on the charges and elect the successor of any Director who is recalled. The Board of Directors shall determine the place, time and date thereof which shall be not less than forty (40) days after filing of the petition. The matter may be acted upon at the subsequent annual member meeting if the Annual Meeting will be held no sooner than forty (40) days after the filing of the petition and within ninety (90) days after the filing of the petition.

The petition shall be signed by each member in the same name as billed by the REMC and shall state the signatory's address as the same appears on the billings. The notice of the meeting shall contain a copy of the charges, the name of each Director against whom

charges have been made and the names of the members making the charge. If more than five (5) members sign the charges, the notice need not contain the names of more than five (5) of the members filing the charges. The notice of the meeting shall also meet the requirements of Section 3.03.

A Director against whom charges have been filed shall be informed in writing of the charges after they have been filed and at least twenty (20) days prior to the meeting of the members. The Director shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination thereof, and to present evidence concerning the charge. The persons bringing the charges shall have the same opportunity, but must be heard first. The question of the removal of a Director shall be considered and voted upon at the meeting. If more than one Director is charged, a separate vote shall be held on each Director. The vote shall be by secret ballot and the Nominating Committee shall be responsible for counting the ballots. The question of the removal of a Director shall not be voted upon unless some evidence in support of the charges against that Director shall have been presented during the meeting through oral statements, documents or otherwise. This shall be determined by the Board of Directors. The Director who is being charged shall not participate in the decision. If more than one Director is charged, a Director shall only be disqualified to vote on this question as to his/her directorship.

Any vacancy created by a removal shall be filled by vote of the members at that meeting without compliance with the foregoing provisions with respect to nominations. A newly elected Director shall be from the same District in which the vacancy occurs and shall serve the unexpired portion of the removed Director's term.

Section 4.11. Vacancies

A vacancy occurring on the Board of Directors shall be filled at the next Annual Meeting. A Director who fills a vacancy shall serve out the unexpired term of the Director whose office was originally vacated. The Director shall be from the same Directorate District.

Section 4.12. Compensation; Expenses

Directors shall, as determined by a resolution of the Board of Directors, receive on a per diem basis a fixed fee, which may include insurance benefits:

- a. for attending meetings of the Board of Directors and
- b. for the performance of other Director duties with prior approval of the Board of Directors.

Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred in attending the meetings and performing the duties. No Director shall receive compensation for serving the REMC in any other capacity. No close relative of a Director shall receive compensation for serving the REMC, unless the payment and amount of compensation shall be specifically authorized by the Board of Directors upon their certification as an emergency measure. A Director who is also an officer of the Board, and who as an officer performs regular or periodic duties of a substantial nature for the REMC in its fiscal affairs, may be compensated in an amount as shall be fixed and authorized in advance of the service by the Board of Directors.

Section 4.13. Director Conflict of Interest Transaction

A Director has an indirect interest in a conflict of interest transaction if at least one (1) party to the transaction is another entity:

- a. in which the Director has a material interest or is a general partner; or
- b. of which the Director is a Director, officer, or trustee.

Regardless of the presence or vote of a Director involved in a conflict of interest transaction, a conflict of interest transaction may be approved, and any Board quorum or member quorum satisfied, if the conflict of interest transaction's material facts, and the Director's interest are:

- a. disclosed and known to the Board and a majority of the Directors with no interest in the conflict of interest transaction vote to approve the conflict of interest transaction; or
- b. disclosed and known to the members and a majority of the votes cast by members not voting under the control of a Director or entity interested in the conflict of interest transaction approves the conflict of interest transaction.

A conflict of interest transaction that is fair when entered is neither:

- a. voidable; nor
- b. the basis for imposing liability on a Director interested in the conflict or interest transaction.

Section 4.14. Rules, Regulations, Rate Schedules and Contracts

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

Section 4.15. Accounting System and Reports

The Board of Directors shall cause to be established and maintain a complete accounting system of the REMC's financial operations and condition. After the close of each fiscal year, a full, complete and independent audit of the REMC's accounts, books and records shall be made. A financial report shall be submitted to the members at or prior to the succeeding Annual Meeting of members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

Section 4.16. Subscription to Statewide Publication

To provide the member with information about the economical, effective and conservative use of electric energy, the Board of Directors may subscribe to the statewide publication, "Electric Consumer". The annual subscription price shall be treated as any other expense of the REMC.

Section 4.17. "Close Relative" Defined

As used in these Bylaws, "close relative" means a person who, by blood or marriage, including step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent,

brother, sister, aunt, uncle, nephew, or niece of the principal or resides in the same residence as the principal.

ARTICLE V

Meeting of Directors

Section 5.01. Regular Meetings

A regular meeting of the Board of Directors shall be held monthly at the date, time and place in Decatur County, Indiana, as the Board shall provide by resolution. The regular monthly meeting may be held without notice other than a resolution fixing the date, time and place thereof, except when the business to be transacted requires special notice. Any Director absent from a meeting of the Board at which a resolution changes the date, time or place of a regular meeting shall be entitled to receive written notice of the change at least five (5) days prior to the next meeting of the Board. The Chairperson may change the date, time or place of a regular monthly meeting for good cause and upon not less than five (5) days notice thereof to all Directors if authorized by a policy of the Board.

Section 5.02. Special Meetings

Special meetings of the Board of Directors may be called by Board resolution, or by any four (4) Directors or by the Chairperson. The Secretary shall cause a notice of the meeting to be given as hereinafter provided in Section 5.03. The Board, the Chairperson or the Directors calling the meeting shall fix the date, time and place in Decatur County, Indiana, for the meetings 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 be held via telephone conference call, without regard to the actual location of the Directors at the time of the telephone conference meeting, if all the Directors consent thereto.

Section 5.03. Notice of Directors Meetings

Written notice of the date, time, place and purpose or purposes of any special meeting of the Board shall be delivered to each Director not less than five (5) days prior thereto, either personally, by mail, or by electronic mail. The notice shall be sent by or at the direction of the Secretary. Upon a default in this duty by the Secretary, the person or persons calling the special meeting may give the notice. Any Director may give the notice in the case of a meeting whose date, time and place have already been fixed by Board resolution if the Secretary shall fail to give the notice. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Director at Director's address as it appears on the records of the REMC, 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 of the meeting unless 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 of a majority of the Directors shall be required for the transaction of business. The affirmative votes of a majority of the Directors present and voting shall be

required for any action to be taken. 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 present or voting. 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 the absent Directors to be duly and timely notified of the date, time and place of the adjourned meeting.

Section 5.05. Board Action by Written Consent

Without a Board Meeting, the Board may take any actions required, or permitted, to be taken at a Board Meeting if the action is:

- a. taken by all Directors; and
- b. evidenced by one (1), or more, written consents ("Director Written Consent"):
 - i. Describing the action taken;
 - ii. Signed by each Director; and
 - iii. Included with the REMC's Board Meeting minutes.

Unless the Director Written Consent specifies a different effective date, action taken by Director Written Consent is effective when the last Director signs the Director Written Consent. A Director Written Consent has the effect of, and may be described as, a Board meeting vote.

ARTICLE VI Officers: Miscellaneous

Section 6.01. Number and Title

The officers of the REMC shall be a Chairperson, Vice Chairperson, President, Secretary, Treasurer and Assistant Secretary-Treasurer, and any 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. The President shall not be a member of the Board of Directors.

Section 6.02. Election and Term of Office

All of the officers except the President shall be elected by secret written ballot, annually, by and from the Board of Directors at the first meeting of the Board held after the Annual Meeting of the members. At least two Directors must be nominated for each officer position before the election is held. To be declared elected, an officer must receive a majority vote of the Directors present at the meeting. If the election of the officers shall not be held at the meeting, it shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board after the next succeeding Annual Meeting of the members or until a 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/or officers. Other officers may be elected by the Board from among the persons, and with a title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

No person may be elected Chairperson for more than six (6) consecutive one-year terms.

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 interests of the REMC 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. Chairperson

The Chairperson shall-

- a. preside at all meetings of the Board of Directors, and, at all meetings of the members unless determined otherwise by the Board of Directors;
- b. sign with the Secretary 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 REMC, or shall be required by law to be otherwise signed or executed; and
- c. in general, perform all duties incident to the office of Chairperson and any other duties as may be prescribed by the Board of Directors from time to time.
- d. in the absence of the President or in the event of the President's inability or refusal to act, the Chairperson shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Section 6.06. Vice Chairperson

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

Section 6.07. Secretary

Except as otherwise provided by the Board or these Bylaws, the Secretary shall-

- a. be responsible for preparing minutes of the meetings of the members and of the Board of Directors;
- b. affix the seal of the REMC to a document authorized or approved by the Board or Members;
- c. be responsible for authenticating the REMC's records; and,
- d. perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board.

Section 6.08. Treasurer

Except as otherwise provided by the Board or these Bylaws, the Treasurer shall perform all duties, shall have all responsibility, and may exercise all authority, prescribed by the Board.

Section 6.09. Assistant Secretary-Treasurer

In the absence of the Secretary or Treasurer, or in the event of their inability or refusal to act, the Assistant Secretary-Treasurer shall perform the duties of the Secretary and/or Treasurer, and, when so acting, shall have all the powers and duties of and be subject to all the restrictions upon the Secretary or Treasurer; and shall perform other duties as from time to time may be assigned by the Board of Directors.

Section 6.10. Delegation of Secretary and Treasurer's Responsibilities

Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer herein before 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 responsibility and authority for, and the regular or routine administration of, one or more of each officer's duties to one or more agents, other officers or employees of the REMC who are not Directors. To the extent that the Board does so delegate with respect to any officer, that officer shall be released from those duties, responsibilities and authorities.

Section 6.11. President

The Board of Directors may appoint a President who shall not be required to be a member of the REMC. The President shall be the chief executive officer of the REMC. The Board of Directors shall determine the President's duties and authority. The President shall also be the General Manager.

Section 6.12. Bonds

The Board of Directors shall require the Treasurer and any other officer, agent or employee of the REMC charged with responsibility for the custody of any of its funds or property to give bond in the sum and with 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 REMC to give bond in an amount and with surety as it shall determine. The costs of all the bonds shall be paid by the REMC.

Section 6.13. 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 4.12 of these Bylaws. 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 REMC shall indemnify Directors, officers, including the President, 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 interests of the REMC or were not against the best interest of the REMC. The REMC may purchase insurance to cover this indemnification. If the situation is not covered by insurance, the REMC may select the attorney to represent the person to be indemnified. The REMC may determine the reasonable amount of attorney fees and other expenses incurred in a defense.

Section 6.14. Directors of Affiliated Organizations

The Directors for Indiana Statewide Association of RECs, Inc., Hoosier Energy REC, Inc., and any other affiliated organization must be elected by secret written ballot after at least two Directors have been nominated for each position.

Section 6.15. Reports

The officers of the REMC shall submit at each Annual Meeting of the members reports covering the business of the REMC for the previous calendar year and showing the condition of the REMC at the close of the previous calendar year.

ARTICLE VII Contracts, Checks and Deposits

Section 7.01. Contracts

The Board of Directors may authorize any REMC officer, agent or employee to enter into any contract or execute and deliver any instrument in the name and on behalf of the REMC, except as otherwise provided by law or these Bylaws. The 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 notes, bonds or other evidences of indebtedness, issued in the name of the REMC, shall be signed or countersigned by the officer, agent or employee of the REMC and in the 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 REMC shall be deposited or invested from time to time to the credit of the REMC in a bank or banks or in any financial securities or institutions as the Board of Directors may select.

ARTICLE VII Non-profit Organization

Section 8.01. Interest or Dividends on Capital Prohibited

The REMC 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 REMC on any capital furnished by its patrons.

Section 8.02. Patronage Capital in Connection with Furnishing Electric Energy

The REMC's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the REMC. In order to induce patronage and to assure that the REMC will operate on a nonprofit basis, the Cooperative is obligated to account on a patronage basis to 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 amounts in excess of operating costs and expenses at the moment of receipt by the REMC are received with the understanding that they are furnished

by the patrons as capital. The REMC is obligated to pay by credits to a capital account for each patron all amounts in excess of operating costs and expenses. The books and records of the REMC shall be set up and kept in a manner that at the end of each calendar 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. The REMC shall within a reasonable time after the close of the calendar year notify each patron of the amount of capital so credited to the patron's account. All 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 REMC corresponding amounts for capital.

All other amounts received by the REMC 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 accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the REMC, after all outstanding indebtedness of the REMC shall have 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 of Directors shall determine that the financial condition of the REMC will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. The Board shall determine the method, basis, priority and other of retirement, if any, for all amounts herefore and hereafter furnished as capital. 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 REMC by an organization furnishing power supply or any other service or supply to the REMC. These rules shall:

- a. establish a method for determining the portion of the capital credited to each patron for each applicable calendar year;
- b. provide for separate identification on the REMC's books of the portions of capital credited to the REMC's patrons;

Upon the death of one person of a married couple having a joint membership, the capital credits shall be credited to the surviving spouse. Upon the death of any other individual, the capital credits shall be transferred in accordance with the individual's will or with the Indiana law of intestacy. However, the person's estate shall designate one person to receive the capital credits and that person shall be obligated to distribute the capital credits among the other beneficiaries designated in the will or by law. An individual may not assign his or her capital credits. A partnership or other entity may only assign its capital credits upon termination of its membership by a written, signed, assignment and only to successors in interest or successors in occupancy in all or part of the member's premises served by the REMC.

The REMC, before retiring any capital credit to any patron's account, shall deduct therefrom any amount owed by the patron to the REMC.

Section 8.03. Economic Development Rates

The REMC and its power supplier, Hoosier Energy REC, Inc., have offered and may offer a special economic development rate to industrial users. This rate is designed to allow the REMC to only recover its fixed cost plus minimal margin to provide the service. Capital credits on these rates will only be allocated if rate revenues exceed all fixed cost plus minimal margin.

ARTICLE IX Unclaimed Funds of Members

Notwithstanding any other provision of these Bylaws and pursuant to the applicable statutes of the State of Indiana, the REMC shall recover capital credits, patronage refunds, utility deposits, membership fees, account balances, or book equity which remains unclaimed for a period of two (2) years following attempted payment by the REMC to the member or former member. Prior to the recovery of any unclaimed funds, the REMC shall give public notice in the Indiana Statewide publication, "Electric Consumer", of the name of each member or former member entitled to claim the funds. The notice shall state that if the funds are not duly claimed at the office of the REMC within sixty (60) days of the notice, the funds shall be forfeited to the REMC and reallocated for distribution among the other members of the REMC. Thereafter, the unclaimed funds shall be allocated on a pro rata basis among the members of the REMC as of the year in which the sixtieth (60) day falls following publication of the notice. All unclaimed funds recovered by the REMC and reallocated by the REMC shall be considered an irrevocable assignment and gift to the REMC of the funds by the member or former member. The REMC may credit any of the above described funds against any amounts owed by the member or former member to the REMC before payment to the member or reallocation in favor of other members.

ARTICLE X 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 otherwise be legally required either before or after the notice is required to be given.

ARTICLE XI Disposition and Pledging of Property Distribution of Surplus Assets on Dissolution

Section 11.01. Disposition and Pledging of Property

The REMC may not sell, lease, or otherwise dispose of all, or substantially all, the property of the REMC unless the same shall be authorized by a resolution duly adopted at a meeting of its members duly called and held as provided in Section VIII of the Indiana Rural Electric Membership Corporation Act, which resolution shall have received the affirmative vote of at least two-thirds (2/3) of all of its members.

The Board of Directors, without authorization by the members shall have full power and authority:

- a. to borrow monies from any source and in any amounts as the Board may from time to time determine;
- b. to issue the REMC's obligation evidencing the borrowing; and
- c. to mortgage or otherwise pledge or encumber any or all of the REMC's property or assets as security therefor. The Board shall also have full power and authority, without requirement of any member authorization or 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 REMC, or of less than substantially all of the REMC's property and assets.

Supplementary to the first paragraph of this subsection (a) and any other applicable provisions of law, Articles of Incorporation, or these Bylaws, no sale, lease, lease-sale, exchange, transfer or other disposition of all or substantially all of the REMC's property and assets shall be authorized except in conformity with the following:

- a. If the Board of Directors looks with favor upon any proposal for a sale, lease, lease-sale, exchange, transfer, or other disposition, it shall first cause three (3) independent, nonaffiliated appraisers, expert in these matters, to render their individual opinions as to the value of the REMC with respect to a sale, lease, lease-sale, exchange, transfer or other disposition and as to any other terms and conditions which should be considered. The Judges of the Decatur Circuit Court, Jennings Circuit Court and the Ripley Circuit Court shall each be requested to appoint an appraiser. If a judge refuses to appoint an appraiser within forty (40) days of a written request by the REMC, that appraiser shall be appointed by the Board of Directors;
- b. If the Board of Directors, after receiving the appraisals (and other terms and conditions which are submitted, if any), determines 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 an opportunity to submit competing proposals. This opportunity shall be in the form of a written notice to the rural electric cooperatives, which notice shall be attached to a copy of the proposal which the REMC has already received and copies of the respective reports of the three (3) appraisers. These 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;
- c. If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall notify the members not less than sixty (60) days before sending a notice of a special meeting of the members thereon or, if it be the case, the next annual member meeting, expressing in detail each proposal, and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not less than thirty (30) days after the giving of notice thereof to the members. Consideration and action by the members may be given at the next annual member meeting if the Board so determines and if the Annual Meeting is

held not less than thirty (30) days nor more than ninety (90) days after the giving of notice of the meeting.

- d. Fifty (50) or more members may petition the Board to mail to members any opposing or alternative positions which have been submitted or the Board's recommendations on the issue. The petition must be filed at least (30) days before the meeting. The Board shall send to each member this information or a summary if the information consists of more than ten (10) pages. Members may see the full proposals at the REMC office if summaries are sent. The REMC shall pay the cost.

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 one or more rural electric cooperatives.

Section 11.02. Distribution of Surplus Assets and Dissolution

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

ARTICLE XII Fiscal Year

The Cooperative's fiscal year shall begin on the first day of the month of June of each year and end on the last day of the month of May in the following year.

ARTICLE XIII Rules of Order

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

ARTICLE XIV Seal

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

ARTICLE XV
Amendments

These Bylaws may be altered, amended or repealed by the affirmative vote of two-thirds of the Board of Directors at any regular or special Board meeting. The notice of the meeting shall contain a copy of the proposed alteration, amendment or repeal.