

**BYLAWS
SOUTH CENTRAL INDIANA REMC
RURAL ELECTRIC
MEMBERSHIP CORPORATION**

ARTICLE I

Membership

Section I. Conditions of Membership

Any person, firm, association, partnership, federal or state agency, corporation or body politic shall automatically become a member in the South Central Indiana Rural Electric Membership Corporation, hereinafter called the "Cooperative", upon the receipt of electrical service from the Cooperative, provided that the applicant has first made and signed a written application for membership.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these Bylaws.

When the Board of Directors shall require a supplemental contract as a condition of providing electric service, a form provided by the Cooperative shall be executed by the applicant; and the contract, together with any service security deposit, facilities extension deposit or contribution in aid of construction, shall be an additional condition of membership.

Section II. Purchase of Electric Energy

The Board of Directors shall not permit the sale of electric energy from any service connection unless the purchaser of the energy complies with the terms and conditions of the Bylaws of the Cooperative as well as the Rules and Regulations adopted by the Board of Directors of the Cooperative. Subject to state or federal laws or regulations, each applicant shall, as soon as electric energy

shall be available, purchase from the Cooperative electric energy used on the premises referred to in the application for membership and shall pay monthly rates which shall be established from time-to-time by resolution of the Board of Directors. Each member shall pay all amounts owed by him or her to the Cooperative as they become due and payable.

Section III. Refunds of Membership Fees

- (a) In the event a member has paid the Cooperative all sums due it, any membership fee previously paid by the member is refundable upon termination of membership; however, the membership fee shall not bear interest.
- (b) All refunds of membership fees shall go to the original payer or personal representative or transferee upon submission of evidence satisfactory to the Cooperative in writing by the transferee or a personal representative as contemplated under the probate laws of the State of Indiana.

Section IV. Joint Membership

Two or more persons or entities may apply for a joint membership and, subject to their compliance with the requirements set forth in Article I, may be accepted for membership. The term, "member", as used in these Bylaws shall include the persons or entities holding a joint membership, and any provisions relating to the rights and liabilities of membership shall apply equally with respect to holders of joint membership. The holders of a joint membership shall have the following rights and obligations:

- (a) Presence at a meeting of any of them shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting.

- (b) Vote of any of them shall constitute one joint vote.
- (c) Waiver of notice signed by any of them shall constitute a joint waiver.
- (d) Notice to any of them shall constitute notice to all.
- (e) Expulsion of any of them shall terminate the joint membership.
- (f) Withdrawal of any of them shall terminate the joint membership.
- (g) Any one of the joint members, if qualified, may be elected as a board member.
- (h) A joint member will be entitled to one vote on any matters submitted to vote at a meeting of the members.
- (i) On the death or termination of any of them, the joint membership shall continue to be held by the survivor or survivors in the same manner and the same effect as though the membership had never been joint; provided that the estate of the deceased joint member shall not be released from any debts due to the Cooperative. In the event of a separation or divorce, the joint membership shall continue to be held solely by the one who continues directly to occupy or use the premises stated in the membership application in the same manner and the same effect as though membership had never been joint; provided that the other person shall not be released from any debts due to the Cooperative by the joint membership.

Section V. Term of Membership

Membership in the Cooperative and all rights, privileges and liabilities thereto shall continue as long as the member purchases electric energy from the service connection designated in an application of membership and complies with the other conditions of membership.

Section VI. Conversion of Membership

A membership may be converted to a joint membership upon the written request of the holder thereof.

Section VII. Termination of Membership

A person's membership in the Cooperative shall be terminated under one or more of the following conditions:

- (a) A member ceases to purchase electric energy from the Cooperative;
- (b) A member withdraws from membership upon the terms and conditions as the Board of Directors may prescribe;
- (c) A member is expelled by the affirmative vote of not less than two-thirds (2/3) of the Board of Directors for refusal or failure to comply with any of the provisions of the Articles of Incorporation, the Bylaws of the Cooperative, and the Rules and Regulations adopted by the Board of Directors of the Cooperative, but only if the member shall have been given written notice by the Cooperative that the refusal or failure makes a member subject to expulsion and the refusal or failure shall have continued for at least ten (10) days after notice was given. Any expelled member may be reinstated by a majority vote of the Board of Directors or by a majority vote of the members at any annual or special meeting.

(d) Upon death or cessation of existence of the member.

In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid; provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the member or member's estate to the Cooperative.

Section VIII. Power Production by the Cooperative

The Cooperative shall use reasonably diligent efforts to furnish its members with adequate and dependable electric service but cannot and does not guarantee the continuous and non-interrupted supply of electricity.

Section IX. Wiring of Premises: Responsibility for Damaged Cooperative Property

Each member shall cause all premises receiving electric service pursuant to its membership to become and remain wired in accordance with the specifications of the National Electric Code and any applicable federal or state codes or local government ordinances. The members shall be responsible for and shall indemnify the Cooperative and its employees, agents and independent contractors against theft, injury, loss or damage resulting from any defect in or improper use or maintenance of the premises and all wiring apparatuses. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, on which to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative to authorize employees, agents and independent contractors to have safe access to the premises free from interference by hostile sources 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 of such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with the operation of or causing damage to such facilities and shall use reasonable efforts to prevent others from so doing.

Section X. Member to Grant Easements to Cooperative and to Participate in Required Cooperative Energy Efficiency and Energy Management Programs

Each member, upon request by the Cooperative, shall 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 in accordance with reasonable terms and conditions as the Cooperative shall require for the furnishing of electric service to the members or for other members or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities. The Cooperative may initiate energy efficiency and energy management programs to assist members in reducing energy usage, controlling the cost of wholesale power purchased on behalf of the members, and to comply with State and Federal laws, rules and program requirements. In the event such programs are initiated, each member may be required to participate.

ARTICLE II

Rights of Members

Section I. Property Interest of Members

Upon dissolution, after all debts and liabilities of the Cooperative have been paid and all capital furnished through patronage has been retired as provided in the Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of

each bear to the total patronage of all members during the ten (10) years net preceding the date of the filing of the certificate of dissolution.

Section II. Non-Liability for Debts of the Cooperative

The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

Section III. Rights of Members and the Cooperative

Members shall have no individual or separate interests in the property or assets of the Cooperative except that every member shall be eligible for any patronage distribution which may be declared by the Board of Directors; provided, however, that any capital available for distribution to a member shall first be applied against the member's indebtedness to the Cooperative.

ARTICLE III

Meetings of Members

Section I. Annual Meeting

The annual meeting of members shall be held annually at a time and place designated by the Board of Directors within the area served by the Cooperative, for the purpose of electing directors, passing upon reports covering the previous fiscal year, and transacting other business as may come before the meeting. Failure to hold an annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative

Section II. Special Meetings

A special meeting of the members may be called by the Chairman, by resolution of the Board of Directors, or upon a written request signed by at least ten percent (10%) of the members, and it shall thereupon be the duty of the Secretary/Treasurer to cause notice of the meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the territory served by the Cooperative specified in the notice of the special meeting.

Section III. Notice of Members' Meetings

Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, purpose for which the meeting is called, shall be delivered not less than twenty (20) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary/Treasurer, or upon default in duty by the Secretary/Treasurer, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the address as it appears on the records of the Cooperative, with postage prepaid. The failure of any member to receive notice of an annual meeting or special meeting of the members shall not invalidate any action which may be taken by the members at any annual or special meeting.

Section IV. Quorum

At least two percent (2%) of the total number of members of the Cooperative present in person shall constitute a quorum for the transaction of business at all meetings of the members; provided that if less than two percent (2%) of the total number of members are present at the meeting, any votes cast after notice of the meeting has been provided in accordance with Section III above and before the meeting of the members may be counted toward establishment of a

quorum, regardless of whether such votes were cast in person or by written ballot mailed to the corporation's office. At any meeting of the members at which a quorum does not exist as set forth above, a majority of the members present may adjourn the meeting without further notice, provided that the Secretary/Treasurer shall notify any absent member of the time and place of the reconvened meeting.

Section V. Voting

Each eligible member shall be entitled only to one vote on matters submitted to a vote at any meeting of the members. Voting by members other than members who are natural persons shall be allowed upon presenting to the Cooperative, prior to or upon registration at each member meeting, satisfactory evidence that the person representing the entity is authorized to vote.

At all meetings of the members, all questions shall be decided by the majority of members voting except as otherwise provided by law or by the Cooperative's Articles of Incorporation or by these Bylaws.

Members may not cumulate their votes or vote by proxy. Members may vote by mail-in ballot in the director's election. Such mail-in ballots shall be distributed to the membership not less than twenty (20) and no more than thirty (30) days prior to the annual meeting of the members, and all mail-in ballots the Cooperative receives by the day prior to the annual meeting of the membership shall be tabulated along with all official ballots members cast at the meeting and shall count toward establishment of a quorum as set forth in Section IV above.

In all elections of Directors, the election committee as established by Section VII will receive and tabulate the ballots voted in the election of Directors, including all valid mail-in ballots received on or before the day prior to the Annual Meeting of the membership.

Section VI. Order of Business

The order of business at the annual meeting of the members, and insofar as practical or desirable, at all other meetings of the members shall be essentially as follows:

1. Establishment of a quorum;
2. Certification of mailing of notice;
3. Action on the minutes of the previous meeting;
4. Presentation and consideration of reports of officers, directors and committees;
5. Report of election of directors;
6. Unfinished business;
7. New business;
8. Adjournment.

Notwithstanding the foregoing, the Board of Directors or the members may establish a different order of business for the purpose of assuring the consideration of any item of business. No action other than the adjournment of the meeting to another time and place may be transacted unless the existence of a quorum is first established.

Section VII. Election Procedures and Election Supervisory Committee

As necessary, and not less than 90 days prior to any Annual Meeting at which an election may occur, the Board shall appoint a Certified Public Accounting firm ("CPA firm") to receive, prepare and secure the return envelopes containing ballots, as well as any ballots cast at the Annual Meeting itself, and at the appropriate time, tabulate ballots and report voting results to the Board. The Board shall also appoint an Election Supervisory Committee ("Committee") consisting of three members: The Cooperative's General Legal Counsel, who shall serve as Chair of the Committee, a

representative of the CPA firm, and a member of the Cooperative's management staff to oversee the election and voting process. The Committee's responsibilities include, without limitation, resolving all issues or questions that may arise with respect to the election and voting process, determination of the validity of any ballot irregularly marked or cast, rulings upon all other questions that may arise relating to the ballot by mail process, member voting and the election of Directors, and decisions upon any challenge, protest or objection made with respect to any election or conduct that may affect the results of any election. The Committee's decision on all such matters shall be final.

In the event a protest or an objection is filed in writing concerning any election, such protest or objection must be filed during or within three (3) business days following the adjournment of the meeting. The Committee shall be reconvened not less than seven (7) days after the protest or objection is filed. The Committee shall hear the evidence presented. Protesters or objectors may be heard in person, by counsel or both; and the Committee, by vote of the majority of those present and voting, shall within a reasonable period of time not less than sixty (60) days after the hearing, render a decision, the results of which may be to affirm the election, to change the outcome, or set it aside. The Committee's decision on all matters covered by this Section shall be final.

ARTICLE IV

Directors

Section 1. General Powers – District

The business and affairs of the Cooperative shall be directed by a Board of Directors composed of nine (9) members, which directors shall exercise all the powers of the Cooperative except as are by law, or by the Articles of Incorporation, or by these Bylaws, conferred upon others.

In order that there shall be representation of all the geographical areas served by the Cooperative, directors shall be nominated and elected by districts, with one director to serve from each district, and each nominee shall have his/her principal residence served by the Cooperative in the district for which he/she is nominated or submits a petition to run for election and be receiving electric service at that residence. The districts of all directors shall be reapportioned into approximately equal districts every ten (10) years, beginning in the year 2017. Districts, as established by the Board of Directors, shall be posted in the principal office of the Cooperative.

Section II. Qualifications and Tenure

Directors shall be elected at the annual meeting of members for a term of three (3) years as their respective terms expire. Without regard to term, all directors will serve until their successors have been elected and qualified, subject to the provisions of these Bylaws with respect to the removal of directors. If the election of directors shall not be held on the day designated herein for any annual meeting, or at any reconvenement thereof, the Board of Directors shall cause election to be held at a special meeting of the members as soon as conveniently possible.

No person shall be eligible to become or remain a director of the Cooperative who does not have and maintain his/her principal residence served by the Cooperative in the district for which he/she runs for election, who is a close relative of an incumbent director or of an employee of the Cooperative, who has been or is convicted of a felony, who is an employee of the Cooperative, who is employed by a competing enterprise or who is in the business of selling electric energy to the Cooperative; provided, however, that a member who operates an approved Small Power Generation System in accordance with terms and conditions of such systems as may be approved by the Cooperative from time to time shall not be made ineligible for board service. Further, an employee of the Cooperative shall be ineligible to become a director within 5 years after his/her employment relationship with the Cooperative terminates for any

reason, including retirement. A director who, by marriage or otherwise, becomes a close relative of an incumbent director or employee shall be allowed to complete the remainder of his/her current term of office. As used in these Bylaws, a close relative means a person who by blood or in-law, including step or adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece of the principal.

Members of the Board of Directors shall be elected by secret written ballot. Directors shall be elected by a plurality of the votes cast. Drawing by lots shall resolve, where necessary, any tie votes.

Failure of an election for a given year shall allow the incumbents whose directorships would have been voted upon to hold over until the next member meeting at which a quorum is present.

Section III. Nominations

Any thirty (30) or more members from a district from which a director is to be elected may make nominations for that district in writing over their signatures. Said petition shall be signed not more than one hundred and fifty (150) days before the date of the meeting of the members and shall be delivered to the Cooperative not less than sixty (60) days prior to the meeting. There shall be no nominations from the floor.

The members may at any meeting at which a director or directors shall be removed, as provided by these Bylaws, elect a successor or successors without compliance with the provisions with respect to nominations.

Failure to comply with any of the provisions in this Section shall not affect the validity of any election of directors.

Section IV. Removal of Directors or Officers by Members

A director may be removed for cause at any time by the members pursuant to the procedure specified in this section. Any member may bring charges specifying the causes for removal against the director by filing the charges in writing with the Secretary/Treasurer together with petitions for removal signed by ten percent (10%) of the

Cooperative's members. The petition shall contain the specific charges of misconduct and the nature and address of each member on the petition.

The removal issue shall be considered at the next regular meeting or special meeting of the members. Directors who are not subject to the removal petition shall determine if the charges and the petition are in proper form and, if so, the Secretary/Treasurer shall notify in writing each director against whom charges have been brought of the charges at least thirty (30) days prior to the meeting.

The member or members bringing the charges shall have an opportunity at the meeting of the members to present evidence by witnesses or by documentation, either in person or by counsel. Each director charged with misconduct shall then have the right to object to evidence, to examine all witnesses and present evidence, in person or by counsel.

After presentation of evidence and arguments, the membership shall vote by secret ballot on the question of whether the director shall be removed. In the event there is more than one (1) director sought to be removed, a separate vote shall be taken as to each director. A majority vote of the members present and voting is required to effect the removal of a director.

Any vacancy created by the removal may be filled by the members at the meeting upon nominations from the floor, provided that the nominee resides in the same district as the director in respect to whom the vacancy occurs and the nominee complies with the qualification for directors as contained in these Bylaws.

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 of the Cooperative.

Any director who is elected to office who fails to attend three (3) or more successive meetings of the Board of Directors, either regular or special, may be removed from office by the majority of a quorum of the Board of Directors either at a regular or special meeting; and upon removal, the vacancy shall be filled as provided by the Bylaws.

Section V. Vacancies

Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of a director by the members, a vacancy occurring on the Board shall be filled for the unexpired portion of the term by the majority of the remaining Board members.

A director elected to fill a vacancy must comply with all of the qualifications of a director.

Section VI. Compensation

Board members shall not receive any salary for their services, except that the Board of Directors may, by resolution, authorize compensation, including insurance benefits, for Cooperative business. If authorized by the Board of Directors, board members may also be reimbursed for expenses actually and necessarily incurred in carrying out Cooperative business or be granted a reasonable per diem allowance by the Board in lieu of detailed accounting.

Section VII. Directors as Employees

No director shall become an employee of the Cooperative during the tenure of the director's office.

ARTICLE V

Meetings of Directors

Section I. Regular Meetings

A reorganizational meeting of the Board of Directors shall be held immediately prior to the first regular board meeting following the

annual meeting. The Board of Directors shall also hold a regular meeting at least ten (10) months of the year at such time and place and during such months as the Board of Directors may provide by resolution. The regular monthly meetings may be held without notice other than a resolution fixing the time and place.

Section II. Special Meetings

A special meeting of the Board of Directors may be called by the President or any three (3) directors, and it shall be the duty of the Secretary/Treasurer to give notice of the meeting. The person or persons authorized to call a special meeting of the Board of Directors may fix the time and place for the holding of the meeting.

Section III. Notice

Notice of the time, place, and purpose of any special meeting of the Board of Directors shall be given at least five (5) days previous by written notice delivered personally or mailed, postage prepaid, to each director at his/her last known address. The notice shall be deemed to be delivered when deposited in the United States mail.

Section IV. Attendance Via Phone or Video

Participation by phone, video conferencing, or other similar means is permissible and shall be considered the equivalent of physical presence at any meeting provided that the director attending remotely can participate meaningfully in the meeting.

Section V. Quorum

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors; provided that if fewer than a majority of the directors are present at the meeting, a majority of the directors present may adjourn the meeting. The Secretary/Treasurer shall notify any absent directors of the time and place of the reconvened meeting.

ARTICLE VI

Officers

Section I. Number

The officers of the Cooperative shall be a Chairman, Vice Chairman, Secretary/Treasurer, and such other officers as may be determined by the Board of Directors. The Chairman, Vice Chairman, and Secretary/Treasurer shall be elected from the members of the Board of Directors.

Section II. Election and Term of Office

The officers shall be elected, by ballot, annually by the Board of Directors at the first meeting of the Board of Directors held after the annual meeting of the members. If the election of officers is not held at that meeting, the election shall be held as soon thereafter as is convenient. Each officer shall hold office until the first meeting of the Board of Directors following the next annual meeting of the members or until his/her successor shall have been duly elected and shall have qualified.

Section III. Removal

Any officer elected by the Board of Directors may be removed by a majority vote of the Board of Directors whenever, in its judgement, the best interests of the Cooperative will be served.

Section IV. Vacancies

A vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

Section V. Chairman

The Chairman:

- (a) shall preside at all meetings of the Board of Directors and, unless determined otherwise by the Board of Directors, he/she shall preside at all meetings of the members;
- (b) may sign, with the Secretary/Treasurer, 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 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, shall perform all duties incident to the office of Chairman and other duties as may be prescribed by the Board.

Section VI. Vice Chairman

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

Section VII. Secretary/Treasurer

The Secretary/Treasurer shall be responsible for:

- (a) keeping the minutes of meetings of the members and the Board of Directors in one or more books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) being custodian of the corporate records and of the seal of the Cooperative and seeing 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;
- (d) keeping a register of the post office address of each member which shall be furnished to the Secretary/Treasurer by the members;
- (e) having general charge of the books of the Cooperative in which a record of the members is kept;
- (f) keeping on file a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing amendments, which Articles of Incorporation and Bylaws and amendments thereto shall be made available to members upon written request;
- (g) having charge and custody of and being responsible for all funds and securities of the Cooperative;
- (h) receiving and giving receipts for monies due and payable to the Cooperative from any source whatsoever, and depositing all monies in the name of the Cooperative in a financial institution authorized by the Board of Directors; and

- (i) in general, performing all duties incident to the office of Secretary/Treasurer and other duties as may be assigned by the Board of Directors.

Section VIII. Delegation of Authority

The Board of Directors may, by resolution, delegate, wholly or in part, the responsibility and authority for one or more of each officer's duties to one or more agents or employees of the Cooperative who are not directors. To the extent that the Board does delegate, that officer shall be released from the duties and responsibilities of the respective office.

Section IX. President & CEO

The Board of Directors may appoint a President and Chief Executive Officer ("CEO") who may be, but who shall not be required to be, a member of the Cooperative. The President and CEO shall perform such duties and shall exercise authority as the Board of Directors may delegate.

Section X. Compensation

The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Directors, subject to the provisions of these Bylaws.

Section XI. Reports

The officers of the Cooperative may 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 the fiscal year.

Section XII. Indemnification of Directors, Officers, and Employees

No person or his/her heirs, executors or administrators shall be liable to the Cooperative for any loss or damage suffered by it on account of any action taken or omitted to be taken as a director, officer or employee of the Cooperative in good faith, if the person exercised or used the same degree of care and skill as a prudent person would have exercised or used under the same circumstances in the conduct of his or her own affairs or took or omitted to take action in reliance upon advice of counsel for the Cooperative or upon statements made or information furnished by officers or employees of the Cooperative which there were reasonable grounds to believe.

Each director, officer and employee of this Cooperative and his/her heirs, executors and administrators shall be indemnified and held harmless by this Cooperative against all costs, expenses, judgements or settlements, including attorney fees, reasonably incurred or imposed in connection with or resulting from any action, suit, proceeding or claim to which the individual director, officer or employee may have been made a party by reason of being or having been a director, officer or employee, whether or not he/she continues to be such a director, officer or employee at the time of incurring the cost, expense or amounts. Provided, however, the director, officer, or employee of the Cooperative shall not be indemnified and held harmless for costs of any gross negligence or gross misconduct in the performance of their duties as a director, officer or employee.

The provisions of this Article shall be in addition to and not a limitation of any other rights, indemnities or limitations of liability. The Cooperative may also purchase insurance to cover the indemnification.

Section XIII. Bonds

The Board of Directors shall require the Secretary/Treasurer and any other officer, agent or employee of the Cooperative charged with the responsibility of the custody of any of its funds or property to post bond in sums and with surety as the Board of Directors determines.

The Board of Directors, at its discretion, may also require any other officer, agent or employee of the Cooperative to post bond in an amount with a surety as it shall determine. The cost of all bonds shall be borne by the Cooperative.

ARTICLE VII

Seal of Cooperative

The seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative, the words, "Martinsville, Seal, Indiana" and the figures "1939".

ARTICLE VIII

Fiscal Year

The fiscal year of the Cooperative shall be the calendar year.

ARTICLE IX

Financial Transaction

Section I. Contracts

Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into contracts or execute and deliver instruments in the name and on behalf of the Cooperative, and the authority may be general or confined to specific instances.

Section II. Checks, Drafts, etc.

All checks, drafts or other orders for the payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed by an officer or officers, agent or agents, employee or employees of the Cooperative and in the manner as shall be determined by resolution of the Board of Directors.

Section III. Deposits

All of the funds, except petty cash, of the Cooperative shall be deposited or invested to the credit of the Cooperative in financial institutions or in financial securities as the Board of Directors may select.

ARTICLE X

Disposition of Property

The Cooperative shall not sell, lease, or otherwise dispose of all, or substantially all, the property of the Cooperative unless it shall have been authorized by resolution duly adopted by an affirmative vote of three-fourths (3/4) of the Board of Directors of the Cooperative at a regular or special meeting called for that purpose and unless it shall be authorized by resolution duly adopted at a meeting of the members called and held as provided in these Bylaws, which resolution must receive an affirmative vote of at least a majority of all of its members and to the extent required by law, approval by the Indiana Utility Regulatory Commission. The above provisions shall not apply to the sale, lease, exchange, transfer or other disposition of all or substantially all of the Cooperatives assets to one or more rural electric cooperatives if the substantive or actual legal effect is to merge or consolidate with one or more rural electric cooperatives.

The Board of Directors of the Cooperative shall have authority without authorization by the members to authorize the execution and delivery of a mortgage or mortgages, a deed or deeds of trust, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative,

whether acquired or to be acquired and wherever situated, as well as the revenues therefrom, for the purpose of financing the construction or maintenance of the Cooperative's distribution and transmission system or systems and for general plant as defined by Generally Accepted Accounting Principles (GAAP), and upon terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative to any federal agency or to any financial institution.

The Board of Directors is authorized to issue its obligation in anticipation of its revenues for any corporate purpose in compliance with the laws of the State of Indiana.

ARTICLE XI

Non-Profit Organization

Section I. 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 members. No interest or dividends shall be paid by the Cooperative on capital furnished by members.

Section II. Patronage Capital in Connection with Furnishing Electric Energy

In the furnishing of electric energy, the Cooperative's operation shall be conducted so that members will, through their patronage, furnish capital for the Cooperative. To induce patronage and assure the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its members 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 members as capital. The Cooperative is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept so that at the end of each fiscal year, the amount of capital so furnished by each member is clearly reflected and credited in an appropriate record to each member's capital account, and the Cooperative will, within a reasonable time after the close of the fiscal year, notify each member in writing of the amount of capital so credited to the member's account. All such amounts credited to the capital account of the member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had furnished the Cooperative corresponding amounts for capital.

All other revenue and receipts received by the Cooperative in excess of costs and expenses shall, insofar as permitted by law, be:

- (a) used to offset any losses incurred during the current or prior fiscal years; and
- (b) to the extent not utilized for that purpose, allocated as capital credits to the members in the same manner as the Cooperative allocates operating patronage capital and said non-operating patronage capital will then be included as part of the member's capital credit account as herein set forth;

provided, the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion of the capital credited to members' accounts which is non-operating patronage capital and may preclude the retirement of said capital until after all operating patronage capital has been retired and paid.

In the event of the dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired in accordance with policies of the Board of Directors. If at any time prior to the dissolution or liquidation the Board of Directions shall determine that

the financial condition of the Cooperative will not be impaired thereby, the capital credited to the members' accounts may be retired in full or in part in accordance with the decision of the Board of Directors, including, but not limited to, a determination of the method, basis, priority, and order of retirement.

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 member, if the legal representatives of his/her estate shall request in writing that the capital credited to any member be retired prior to the time the capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any member immediately upon the terms and conditions as the Board of Directors shall determine; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The members of the Cooperative acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each member; and both the Cooperative and the member are bound by such contract as fully as though each member had individually signed a separate instrument containing such terms and provisions.

Provided further, however, that the Board of Directors shall have the power to adopt rules providing for the separate allocation and retirement of the capital credited to the account of the Cooperative by an organization furnishing electric service to the Cooperative. Such rules shall (a) permit the Cooperative to not allocate said generation and transmission patronage capital to the members until said capital is paid to the Cooperative; (b) establish a method for determining the power supply portion of the capital credited to each member's account for the applicable fiscal year; (c) provide for separate identification on the Cooperative's books of said generation and transmission patronage capital credited to the Cooperative's members; and (d) provide for appropriate notifications to members with respect to the power supply portion of capital allocated to their accounts. The Board of Directors shall have the power to adopt rules providing for the separate retirement of generation and transmission patronage capital which rules may preclude a general retirement of said power supply portion of the capital credited to the members for the same year or any prior fiscal year.

The Cooperative, before retiring any capital credit to any member's account, shall deduct therefrom any amount owed by the member to the Cooperative together with interest thereon at the legal rate on judgments in effect when the amount became overdue, compounded annually.

Section III. Unclaimed Funds of Members

Pursuant to the statutes of the State of Indiana, the Cooperative shall recover any capital credits, patronage refunds, utility deposits, membership fees, account balances, or book equities which remain unclaimed for a period of two (2) years following the attempted payment by the Cooperative to a member or former member. Prior to the recovery of said unclaimed funds, the Cooperative shall give reasonable notice to the membership of the names of those members who are entitled to claim the funds, and that if not claimed at the office of the Cooperative within sixty (60) days of the notice, the failure to claim shall constitute an assignment and contribution of said funds by the member or former member to the Cooperative. If after sixty (60) days the funds remain unclaimed, said funds shall be considered a contribution to capital to the Cooperative. Nothing in this section shall be construed to prohibit the Cooperative from crediting any of the above-described funds against the member's debt to the Cooperative prior to their payment to the member.

ARTICLE XII

Miscellaneous

Section I. Rules and Regulations

The Board of Directors shall have the power to make, adopt, and enforce rules and regulations not inconsistent with law, the Articles of Incorporation of the Cooperative, or these Bylaws, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

Section II. Accounting Systems and Reports

The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things subject to applicable laws and rules and regulations of any regulatory body, shall conform to Generally Accepted Accounting Principles (GAAP).

The Board of Directors shall also, after the close of each fiscal year, cause to be made by a Certified Public Accountant a full and complete audit of the accounts, books, and financial condition of the Cooperative as of the end of the fiscal year. A report of the audit shall be submitted to the Board of Directors at the next Board of Directors' meeting after its receipt by the Cooperative.

Section III. Membership in Other Organizations

The Cooperative shall not become a member of any other organization without an affirmative vote of the Board of Directors.

Section IV. Waiver of Notice

Any member or Board member may waive in writing any notice of meetings required to be given by these Bylaws. The attendance of a member or Board member at any meeting shall constitute waiver of notice of that meeting by the member or Board member, except in case a member or Board member, shall attend the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been legally called or convened.

Section V. Area Coverage

The Board shall make diligent effort to see that electrical service extends to all unserved persons in the Cooperative area who:

- (a) desire service; and
- (b) meet all the requirements established by the Cooperative as a condition of membership.

Section VI. Subscription for Cooperative Newspaper

The Board of Directors shall be empowered, on behalf of and for circulation to the members periodically, to subscribe to the publication of Indiana Electric Cooperatives. The annual subscription price shall be established by the Board of Directors and shall be deducted from any funds accruing in favor of the members so as to reduce the funds in the same manner as would any other expense of the Cooperative.

Section VII. Parliamentary Procedure

Parliamentary procedure at all meetings of the members, Board of Directors or any committee provided for in these Bylaws shall be governed by the most recent edition of "Roberts Rules of Order," except to the extent that such procedures are otherwise determined by law or by the Cooperative's Articles of Incorporation or Bylaws.

ARTICLE XIII

Amendments

These Bylaws may be altered, amended, or repealed by the affirmative vote of three-fourths (3/4) of the members of the Board of Directors, which vote shall be taken at any regular or special meeting of the Board of Directors, provided that notice of such alteration, amendment, or repeal shall have been given with the notice of the meeting.