

CODE OF REGULATION

Updated April 2013

ARTICLE I: MEMBERSHIPS

SECTION 1. Requirements for Membership. Any person, whether a natural person or a firm, association, corporation, partnership, body politic or subdivision thereof, will become a member of Mid Ohio Energy Cooperative, Inc. upon receipt of electric service from the Cooperative, provided that such person has first:

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

Where electric systems, or portions thereof, other than those constructed by the Cooperative are acquired, or are merged into or otherwise become a part of the Cooperative's electric system, all persons, firms, corporations, institutions, or other organizations then receiving service from said acquired systems shall become and shall be considered as members of the Cooperative provided that the other requirements for membership specified above have been met. No member may hold more than one membership in the Cooperative and no membership in the Cooperative shall be transferable, except as provided in this Code of Regulations.

SECTION 2. Membership Certificates. Membership in the Cooperative may be evidenced by a membership certificate, which shall be in such form and shall contain such provisions as shall be determined by the Board. Such certificate shall be signed either manually or by facsimile signature by the Chairman and the Secretary of the Cooperative and the corporate seal or a facsimile thereof shall be affixed to such certificate. Failure to issue a membership certificate or the loss or destruction thereof shall not affect the membership status of any person listed as a member in the Cooperative's membership records. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefore upon such uniform terms and conditions as the Board may prescribe.

SECTION 3. Membership Fees. The membership fee shall be ten dollars (\$10.00).

SECTION 4. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises

specified in the member's application for membership, and shall pay therefore at rates which shall from time to time be fixed by the Cooperative in accordance with all applicable requirements of law. It is expressly understood that amounts paid for electric power and/or energy in excess of the cost of service are furnished by the patrons of the Cooperative, whether members or non-members, as capital and each patron shall be credited with the capital so furnished as provided in this Code of Regulations. Each patron shall pay all amounts owed by him to the Cooperative as and the same shall become due and payable.

SECTION 5. Termination of Membership. (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than two-thirds of all the members of the Board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, this Code of Regulations, or rules or regulations adopted by the Board, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting.

(b) Upon the withdrawal, death, cessation of existence, voluntary cessation of the Cooperative's electric service to, or expulsion of a member, the membership of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. The Board may adopt uniform rules governing the membership status of persons whose electric service is temporarily discontinued by the Cooperative. Termination of membership in any manner shall not release a member or the member's estate from any debts or obligations due the Cooperative.

(c) 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 by the member, 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 to the Cooperative.

SECTION 6. Single Membership. Applications for a single membership will only be accepted; however, in those cases where applications for joint membership have been accepted prior to January 1, 1999 the term "member" as used in this Code of Regulations shall include natural persons holding a joint membership and all provisions relating to the rights and liabilities of membership shall apply equally to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter-specified actions by or in respect of the holders of a joint membership shall be as follows:

(a) The presence at a meeting of either or both shall be regarded as the presence of one member, and shall constitute a joint waiver of notice of the meeting;

- (b) The vote of either separately or both jointly shall constitute a joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice of both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership; and
- (g) Either but not both may be elected or appointed as an officer or Board member, provided that both meet the qualifications for such office.

ARTICLE II: RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members.

Upon dissolution, after

- (a) All debts and liabilities of the Cooperative have been paid, and
- (b) All capital furnished through patronage has been retired as provided in this Code of Regulations, the remaining property and assets of the Cooperative shall be distributed among all those who were members during the ten years preceding the date of the filing of the certificate of dissolution in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten years preceding the date of the filing of the certificate of dissolution.

SECTION 2. Non-liability for Debts of the Cooperative.

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

ARTICLE III: MEETING OF MEMBERS

SECTION 1. Annual Meeting.

The annual meeting of the members shall be held, in person, or video teleconference, or other electronic means, during the month of April in each year at such place within the service area of the Cooperative, as selected by the Board and which shall be designated in the notice of the meeting, for the purpose of reporting on election results (if any), passing upon reports for the previous fiscal year and transacting such 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 of the Cooperative. In the event that such annual meeting is not held for any reason, a special meeting in lieu thereof shall be called and held as soon thereafter as convenient, and any business transactions or elections held at such meeting shall be as valid as if transacted or held at the annual meeting.

SECTION 2. Special Meetings.

Special meetings of the members may be called by resolution of the Board, or upon written request signed by any three Board members, by the Chairman, or by ten (10) per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the service area of the Cooperative designated by the Board.

SECTION 3. Notice of Members' Meetings. Written or printed

Notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than thirty (30) days nor more than sixty (60) days before the date of the meeting, either personally or by mail or by electronic means, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. A description of the subject matter to be voted on, a ballot, and instructions for return of the ballot by mail or voting by electronic means, if authorized by the Board of Trustees, shall be included with the notice of any meeting of members. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting. Notice of adjournment of a members' meeting need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

SECTION 4. Quorum.

The members entitled to vote present in person or by mail or electronic means at any meeting of the members shall constitute a quorum.

SECTION 5. Voting.

- (a) Each member shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members. Except for the election of Board members, which shall be decided by a plurality vote of the members present, all questions shall be decided by a vote of a majority of the members voting thereon in person or by mail or electronic means, except for any change to the order of business, and approval of the minutes of previous meetings of the members, and except for the removal of a Board member pursuant to Section 5 of ARTICLE IV, which matters shall be decided by a majority of the members voting thereon in person; provided, however, that electronic voting shall be provided for and used only if the Board determines in its sole discretion that electronic voting may be used. No proxy votes shall be accepted accepts. No mailed or electronic vote shall be counted unless such vote was voted in the time frame and manner set forth in the Secretary's instructions provided pursuant to Section 3 of this ARTICLE III.
- (b) The vote of a firm, association, limited liability company, corporation, partnership, body politic or subdivision thereof, or any other legal entity, which is a member of the cooperative shall be cast by the duly authorized representative of said member.
- (c) The Chairman of the Cooperative or presiding officer of the meeting shall appoint three inspectors of election for any meeting of members. If the right of any person to vote at any such meeting shall be challenged, the inspectors of election shall determine such right. The inspectors shall receive and count the votes upon each matter submitted to a vote at a meeting of members and shall determine the results. The certificate of any vote, made by the inspectors, shall be prima facie evidence thereof.

SECTION 6. Order of Business.

The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting:

1. Reading of the notice of the meeting and proof of the due publication or the waiver or waivers of notice of the meeting, as the case may be.
2. Reading of the unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
3. Presentation and consideration of reports of officers, Board members and committees.
4. Unfinished business.
5. New business.
6. Report on the results of election of Board members and votes on other matters.
7. Adjournment.

ARTICLE IV: BOARD OF TRUSTEES

SECTION 1. General Powers.

The entire business and affairs of the Cooperative shall be managed by a Board of Trustees (the Board) which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or this Code of Regulations conferred upon or reserved to the members.

SECTION 2. Districts and Tenure of Office.

The Board shall divide the service area of the Cooperative into nine (9) districts so that equitable representation may be given to the geographic areas served by the Cooperative. The Board shall have the power to change the boundaries of such districts whenever in their opinion the purpose of this Section requires such a change. Each district shall be represented by one Board member. Three Board members shall be elected each year by secret ballot by mail or, if authorized by the Board of Trustees, by secret ballot by electronic means, at the annual meeting of the members, or at any meeting held in lieu thereof as hereinbefore provided, by and from the members to serve for a term of three (3) years or until their successors shall have been elected and shall have qualified, subject to the provisions of this Code of Regulations with respect to the removal of Board members, which term shall commence at the conclusion of the member's meeting in the year in which such election occurs. Board members shall be elected by a plurality vote of the members present at the meeting.

SECTION 3. Qualifications

A member of the Board or a Board member candidate must comply with this Section.

- (a) General Qualifications. To become or remain a member of the Board, a person must comply with the following "general trustee qualifications":
 - (i) be an individual; and
 - (ii) have the capacity to enter legally binding contracts; and
 - (iii) while a Board member, and during the five (5) years immediately before becoming a Board member (if first becoming a member of the Board after January 1, 2009), not be convicted of, or plead guilty to, a felony or five (5) or more misdemeanors; and
 - (iv) except as otherwise provided by the Board for good cause, receive a Credentialed Cooperative Director designation, Director's Certificate, or similar certification from the National Rural Electric Cooperative Association (NRECA) within four (4) years of becoming a member of the Board (if first becoming a member of the Board after April 14, 2009).

- 102850\000002\4849-3462-4724v1

- (iii) while a Board member, and during the year immediately before becoming a Board member (if first becoming a member of the Board after January 1, 2009), not advance or have a close relative that advances his or her pecuniary interest by competing with the Cooperative or a Cooperative subsidiary; and
- (iv) while a Board member, not be a close relative of another Board member or a close relative of an employee of the Cooperative or of a Cooperative subsidiary; and
- (v) while a Board member, not employed by another Board member or be employed by, or receive more than ten (10) percent of annual gross income from, an entity which another Board member controls or owns more than ten (10) percent of, or for which another Board member is a director or officer; and
- (vi) while a Board member, and during the year immediately before becoming a Board member (if first becoming a member of the Board after January 1, 2009), not be employed by, control, own more than ten (10) percent of, serve as a director or officer of, or receive more than ten (10) percent of annual gross income from an entity that:
 - (A) competes with the Cooperative or a Cooperative subsidiary; or
 - (B) receives more than ten (10) percent of its annual gross income directly or indirectly from the Cooperative or a Cooperative subsidiary.

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

SECTION 4. Nominations.

It shall be the duty of the Board to appoint, not less than thirty (30) days nor more than one hundred eighty (180) days before the date of the transmittal of the notice of a meeting of the members at which members of the Board are to be elected, a committee on nominations consisting of at least one member from each district, and composed so as to insure equitable representation on the committee to the geographic areas constituting to the geographic areas constituting the service area of the Cooperative. No officer or member of the Board may serve on such committee. The committee shall prepare and post at the principal office of the Cooperative at least twenty (20) days before the transmittal of the notice of the meeting of the members a list of nominations for Board membership which shall include at least two candidates from each district for which a position for a Board member representing such district is to be filled at the next annual meeting of members or at any meeting held in lieu thereof as hereinbefore provided. The Secretary shall be responsible for mailing with the notice of the meeting of members, at least thirty (30) days before the date of such meeting of Members, a statement of the number of Board members to be elected and the names and addresses of the candidates nominated by the committee on nominations, a ballot for their election, and instructions for return of the ballot by mail or voting by electronic means, if

authorized by the Board of Trustees. Any fifty (50) or more members may make other nominations by petition not less than ninety (90) days prior to the transmittal of the notice of the meeting of the members. The Secretary shall post such other nominations at the same place where the list of nominations made by the committee is posted, and the Secretary shall include the names and addresses of any persons so nominated which are received more than ninety (90) days prior to the transmittal of the notice of the meeting of members on the ballot for the election of Board members and with said notice. Nominations from the floor will not be accepted. No person shall be voted upon for membership on the Board who has not signified a willingness to serve if elected. Failure to comply with any of the provisions of this Section shall not affect in any manner whatsoever the validity of any election of Board members or any action taken by the Board.

SECTION 5. Removal of Board Members

SECTION 5. Remove of Board Members. Any member may bring specific charges of malfeasance, misfeasance or nonfeasance in office against a Board member and, by filing with the Secretary in writing a detailed description of each charge and the evidentiary basis therefore together with a petition signed by at least ten per centum of the members, may request the removal of such Board member by reason thereof. If more than one Board member is sought to be removed, individual charges against each such Board member and the evidentiary basis for each charge shall be specified. For purposes of this ARTICLE, "malfeasance, misfeasance or nonfeasance" means an act or omission amounting to gross negligence, fraud, or criminal conduct, which has a material adverse effect on the business affairs of the Cooperative. At the next regular meeting of the Members occurring not less than forty-five (45) days after the filing of such charges, the member bringing the charges against the Board member(s) shall have the opportunity to be heard in person or by counsel and to present evidence in support of the charges; and the Board member shall have the opportunity to be heard in person or by counsel and to present evidence in response to the charges. No Board member shall be removed from office unless the specific charges against such Board member are supported by clear and convincing evidence. The question of the removal of such Board member shall be considered or voted upon at any meeting of members.

SECTION 6. Vacancies

- (a) A Board member's seat will automatically be considered vacant if four (4) regular Board meetings are missed in a calendar year or any three (3) consecutive regular Board meetings are missed.
- (b) Any vacancy occurring in the Board may be filled by the affirmative vote of a majority of the remaining Board members for the unexpired portion of the term and until a successor shall have been elected and shall have qualified. The vacancy shall be filled by the appointment of a member residing in the district in which the vacancy occurs.

SECTION 7. Compensation

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

ARTICLE V: MEETINGS OF BOARD OF TRUSTEES

SECTION 1. Regular Meetings.

A regular meeting of the Board shall be held monthly at such time and place, either within or without the State of Ohio, as designated by the Board by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. Special Meeting. Meetings

Special meetings of the Board may be called by the Chairman or by any three Board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chairman or Board members calling the meeting shall fix the time and place either within or without the State of Ohio, for the holding of the meeting.

SECTION 3. Notice of Special Board Meetings.

Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Board member either personally or by mail by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairman or the Board member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Board member at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least two days before the date set for the meeting.

SECTION 4. Quorum.

A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board, provided, that if less than such majority of the Board is present at said meeting a majority of the Board present may adjourn the meeting from time to time; and

provided further, that the Secretary shall notify any absent Board members of the time and place of such adjourned meeting. The act of a majority of the Board members present at a meeting at which a quorum is present shall be the act of the Board; except as otherwise provided in this Code of Regulations.

SECTION 5. Action of Trustees without a Meeting

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

ARTICLE VI: OFFICERS

SECTION 1. Number.

The officers of the Cooperative shall be a Chairman, President and Chief Executive Officer (CEO), Vice Chairman, Second Vice Chairman, Secretary, Treasurer, and such other officers as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person.

SECTION 2. Election and Term of Office.

Each officer, except the President and Chief Executive Officer and any officer appointed pursuant to Section 3 of this ARTICLE VI, shall be elected annually by and from the Board at the first meeting of the Board held after the annual meeting of the members. If the election of officers shall not be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until the officer's successor shall have been elected and shall have been elected and shall have qualified subject to the provisions of this Code of Regulations with respect to the removal of officers. The Board shall choose and employ and set the compensation of the President and Chief Executive Officer. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 3. Additional Officers.

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

SECTION 4. Removal of Officers and Agents by the Board.

Any officer elected or appointed by the Board may be removed by the Board whenever, in its judgement, the best interests of the Cooperative will be served thereby; except that the Board may, in its discretion, authorize a written employment agreement between the Cooperative and the President and Chief Executive Officer containing terms and conditions of employment.

SECTION 5. Resignations.

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

SECTION 6. Vacancies.

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

SECTION 7. Chairman. The Chairman shall:

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

SECTION 8. Vice Chairman.

In the absence of the Chairman, or in the event of the Chairman's inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman and when so acting shall have the powers of and be subject to all the restrictions upon the Chairman. The Vice Chairman shall also perform such other duties as from time to time may be assigned by the Board or by the Chairman.

SECTION 9. Secretary.

The Secretary shall be responsible for:

- (a) keeping signing, with the Chairman, the minutes of the members and of the Board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with this Code of Regulations or as required by law;
- (c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative or a facsimile thereof to all certificates of membership prior to the issue thereof; and to all documents,
- (d) the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of this Code of Regulations;
- (e) keeping a register of the names and post office addresses of all members;
- (f) signing, with the Chairman, certificates of membership;
- (g) keeping on file at all times a complete copy of the Articles of Incorporation and Code of Regulations of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of the Code of Regulations and of all amendments thereto to any member upon request; and
- (h) in general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board.

SECTION 10. Assistant Secretary.

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

SECTION 11. Treasurer.

The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Cooperative;

- (b) the receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of this Code of Regulations; and
- (c) the general performance of all duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board.

SECTION 12. Assistant Treasurer.

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

SECTION 13. President and Chief Executive Officer. The President and Chief Executive Officer shall:

The President and shall:

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

SECTION 14. Bonds of Officers.

The Treasurer any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the Board shall determine. The Board, in its discretion, may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

SECTION 15. Compensation.

The powers, duties and compensation of officers shall be fixed by the Board subject to the provisions of this Code of Regulations with respect to compensation for a Board member and close relative of a Board member.

SECTION 16. Reports.

The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII: NON-PROFIT OPERATION

SECTION 1. Interest or Dividends on Capital Prohibited.

The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy.

In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all patrons, members and nonmembers alike, will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons, members and nonmembers alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts of capital. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority, on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such patrons' premises served by the Cooperative unless the Board, acting under the policies of general application, shall determine otherwise. Notwithstanding in any other provision of this Code of Regulations, if any patron or former patron fails to claim any cash retirement of capital credits or other payment from the Cooperative within four (4) years after payment of the same has been made available to him by notice or check mailed to him at his last address furnished by him to the Cooperative, such failure shall be and constitutes an irrevocable assignment and gift by such patron of such capital credit or other payment to the Cooperative. Failure to claim any such payment within the meaning of this section shall include the failure by such patron or former patron to cash any check mailed to him by the Cooperative at the last address furnished by him to the Cooperative. The assignment and gift provided for under this section shall become effective only upon the expiration of four (4) years from the date when such payment was made available to such patron or former patron without claim therefore and only after the further expiration of sixty (60) days following the giving of a notice by mail and publication that unless such payment is claimed within said sixty (60) day period, such gift to the Cooperative shall become effective. The notice by mail herein provided for shall be one mailed by the Cooperative to such patron or former patron at the last known address and the notice by publication shall be two (2) consecutive insertions in a publication circulated in the service area of the Cooperative, which may be a Cooperative publication. The sixty (60) day period following the giving of such notice shall be deemed to terminate sixty (60) days after the mailing of such notice or sixty days following the last date of publication thereof, whichever is later. Notwithstanding any other provision of this Code of Regulations, the Board at its discretion, shall have the power at any time upon the death of any natural person who was a patron, if the legal representatives of his estates shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of this Code of Regulations, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby. After retiring capital credits allocated to a patron or former patron, the Cooperative may recoup, offset, or setoff any amount owed to the Cooperative by the patron or former patron, including any compounded interest and late payment fee, by reducing the amount of retired capital credits paid to the patron or former patron by the amount owed. The Cooperative may retire and pay capital credits only if the Board determines that the retirement and payment will not adversely impact the Cooperative's financial condition. Consistent with this Code of Regulations, the retirement

and payment of capital credits are in the discretion of the Board, and the Board shall determine the manner, method, and timing of retiring and paying capital credits. As reasonable and fair, the Cooperative may retire and pay capital credits to classes of similarly situated patrons under different manners, methods, and timing, provided the Cooperative retires and pays capital credits to similarly situated patrons under the same manner, method, and timing. As determined by the Board, before the time the Cooperative anticipates normally retiring and paying capital credits, the Cooperative may retire some or all capital credits and, in such circumstances, as determined by the Board, the Cooperative may pay the net present value of the retired capital credits. The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Code of Regulations shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this ARTICLE of the Code of Regulations shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE VIII: DISPOSITION OF PROPERTY

The Cooperative shall not sell, mortgage, pledge, provide a security interest in, lease or otherwise dispose of or encumber all of any substantial portion of its property, assets, rights, privileges, licenses, franchises or permits, whether acquired or to be acquired, and wherever situated, or the revenues or income therefrom, or merge or consolidate with any other corporation unless such sale, mortgage, lease, other disposition, encumbrance, merger or consolidation is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all of the members of the Cooperative, and unless notice of such proposed sale, mortgage, lease, other disposition, encumbrance, merger or consolidation shall have been contained in the notice of the meeting; provided, however, that notwithstanding any other provision of this Article, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of mortgages, deeds of trust, security agreements and financing statements or otherwise pledging, encumbering, subjecting to a lien or security interest, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof or to any other bona fide lender, lending institution or investor; provided, further, however, that notwithstanding any other provision of this ARTICLE, the Board may upon the authorization of a majority of those members of the Cooperative present at a meeting of members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to, or merge or consolidate with, another non-profit corporation which is either an electric distribution cooperative that previously was at any time a borrower from the Rural Electrification Administration, or a generation and transmission cooperative whose members are electric distribution cooperatives. Notwithstanding the foregoing provisions of this ARTICLE, nothing contained herein shall be deemed or construed to prohibit an exchange plant facilities of

another electric company when in the judgement of the Board such facilities are of approximately equal value, but in no event shall the value of the Cooperative's facilities so exchanged within any 12 month period exceed 10% of the total electric plant of the Cooperative.

ARTICLE IX: SEAL

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

ARTICLE X: FINANCIAL TRANSACTIONS

Section 1. Contracts. Except as otherwise provided in this Code of Regulations, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 2. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such a manner as shall from time to time be determined by resolution of the Board.

SECTION 3. Deposits. All funds except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such manner as shall from time to time be determined by resolution of the Board.

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

ARTICLE XI: MISCELLANEOUS

SECTION 1. Waiver of Notice.

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

SECTION 2. Policies, Rules and Regulations.

The Board shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the Article of Incorporation or this Code of Regulations, at it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 3. Accounting System and Reports,

The Board shall cause to be established and maintained a complete accounting system. The Board shall also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting.

ARTICLE XII: AMENDMENTS

This Code of Regulations may be altered, amended or repealed by a majority of the members present at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal; provided, however, that any alteration, amendment or repeal of this ARTICLE VIII shall require the affirmative vote of at least two-thirds (2/3) of the members of the Cooperative; and provided further, that no other provision of this Code of Regulations may be altered, amended or repealed by an affirmative vote which is less in number or different in character than the affirmative vote required for action under that provision.

ARTICLE XIII: INDEMNIFICATION

SECTION 1. Third-Party Action Indemnification. The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed civil, criminal, administrative, or investigative action, suit, or proceeding, including all appeals (other than an action, suit, or proceeding by or in the right of the Cooperative), by reason of the fact that such person is or was a trustee, officer, employee, or volunteer as defined in Section 1702.01 (N) of the Ohio Revised Code "volunteer"), of the Cooperative, or is or was serving at the request of the Cooperative as a trustee, director, officer, employee, or volunteer of another domestic or foreign nonprofit corporation or corporation for profit, or a partnership, joint venture trust, or other enterprise, against expenses (including attorneys' fees), judgements, decrees, fines, penalties, and amounts paid in settlement actually and reasonably incurred by such person in connection with the action, suit, or proceeding, unless it is proved by clear and convincing evidence in a court of competent jurisdiction that such person's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Cooperative or undertaken with reckless disregard for the best interests of the Cooperative and that, with respect to any criminal action or such person proceeding, such person had reasonable cause to believe that such person's conduct was unlawful; the

termination of any action, suit, or proceeding by judgements, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, constitute such proof.

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

SECTION 3. *Determinations of Indemnification Rights.* Any indemnification under Section 1 or Section 2 of this ARTICLE XIII (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case upon a determination that indemnification of the trustee, director, officer, employee, or volunteer is proper in the circumstances. The determination shall be made

(a) by a majority vote of those members of the Board who, in number constitute a quorum of the Board and who also were not and are not parties to or threatened with any such action, suit, or proceeding or

(b), if such a quorum is not obtainable (or even if obtainable) and a majority of disinterested members of the Board so directs, in a written opinion by independent legal counsel compensated by the Cooperative or

(c) by the court in which the action, suit, or proceeding was brought.

SECTION 4. *Advances of Expenses.* Unless the action, suit, or proceeding referred to in Section 1 or Section 2 of this ARTICLE XIII is in which the liability asserted, expenses (including attorneys' fees) incurred by the trustee, officer, employee, or volunteer of the Cooperative in defending the action, suit, or proceeding shall be paid by the Cooperative as they are incurred, in advance of the final disposition of the action, suit, or proceeding upon receipt of an undertaking by or on behalf of the trustee, officer, employee, or volunteer in which such person agrees both (a) to repay the amount if it is proved by clear and convincing evidence in a court of

competent jurisdiction that such person's action or failure to act involved an act or omission undertaken with deliberated intent to cause injury to the Cooperative or undertaken with reckless disregard for the best interests of the Cooperative and (b) to cooperate with the Cooperative concerning the action, suit, or proceeding.

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

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

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

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

was one undertaken with deliberate intent to cause injury to the Cooperative or was one undertaken with a reckless disregard for the best interests of the Cooperative.