

BYLAWS

CENTRAL ELECTRIC COOPERATIVE, INC.

As Amended March 8, 2010, Effective August 1, 2010

ARTICLE I MEMBERSHIP

SECTION 1.01 MEMBER QUALIFICATIONS. Except as otherwise provided in these Bylaws, an individual or Entity will become and remain a member of the Cooperative only if: (1) the individual or Entity is a person with the capacity to enter legally binding contracts ("Person"), and (2) the Person receives electric service from the Cooperative.

An "Entity" includes a domestic or foreign: cooperative; business or nonprofit corporation; sole proprietorship; unincorporated association; limited liability company; partnership; trust; estate; persons having a joint or common economic interest; and local, regional, state, federal, or national government, including an agency or division of government.

A Person, either individually or through an Entity not considered legally separate from the Person, may not hold more than one membership in the Cooperative. Persons occupying a location to or for which the Cooperative provides electric service may not hold more than one membership in the Cooperative.

SECTION 1.02 MEMBERSHIP PROCEDURE. A qualified Person will become a Member and consents to becoming a Member of the Cooperative upon requesting and receiving electric service from the Cooperative. A copy of these Bylaws shall be provided to all new Members and potential Members upon their request for electric service and membership, and to any existing Member on request. All persons or entities requesting and/or receiving electric service from the Cooperative agree to comply with all Articles, Bylaws, Rules, Regulations and Procedures of the Cooperative, as they are, or may change, from time to time.

SECTION 1.03 MEMBERSHIP CERTIFICATES. Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board. No membership certificate shall be issued for less than the membership fee, if any, nor until such membership fee has been

fully paid. Membership fees and certificates are nontransferable.

SECTION 1.04 JOINT MEMBERSHIP. Persons who qualify to be Members who are husband and wife will hold a joint membership in the Cooperative ("Joint Membership"). A Joint Membership will consist only of two individuals joined in marriage, each of whom qualifies to be a Member.

A. Qualified persons become joint members of the Cooperative and consent to being joint members (Joint Members) in the same manner as Members become Members and consent to being Members.

Members at the time of adoption of this Bylaw who are married, or thereafter become married, will be deemed to be a Joint member with their spouse without further action by such Member, unless within thirty (30) days of notice of adoption of this Bylaw provision, or marriage, and according to procedures adopted by the Board, such Member designates otherwise. A married person who becomes a Member after adoption of this Bylaw will be deemed to be a Joint Member with their spouse unless within thirty (30) days of becoming a member, and according to procedures adopted by the Board, such Member designates otherwise.

B. Joint Membership is held as title by the entirety. Except as otherwise provided in these Bylaws, Joint Membership is held jointly and severally by each Joint Member and each have the same rights, benefits, privileges, obligations, requirements, and liabilities as Members. As used in these Bylaws, and except as otherwise provided in these Bylaws, a membership includes a Joint Membership and a Member includes a Joint Membership. For a Joint Membership:

- 1) Joint Members act as one and have the rights and obligations as one Member;
- 2) Any notice to either Joint Member constitutes notice to both Joint Members;
- 3) Any waiver by either Joint Member constitutes waiver by both Joint Members;
- 4) The presence of either Joint Member constitutes the presence of both Joint Members;
- 5) The vote of either Joint member, or both jointly, shall constitute one vote;
- 6) If either Joint Member signs a document, or otherwise acts, then the signature or action binds the Joint Membership;
- 7) Either Joint Member, but not both, may be a Director provided that Joint Member meets the qualifications;

- 8) Except as otherwise determined by these Bylaws, a Joint Member's qualification to be a Director will not be affected by the other Joint Member's qualification to be a Director;
- 9) The suspension/termination of a Joint Member constitutes the suspension/termination of the Joint Membership; and

C. Joint Members shall notify the Cooperative in writing of a cessation of the marriage:

- 1) If one Joint member remains qualified to be a member and continues to use electric service at the same location, then the Joint Membership converts to a membership comprised of this Person;
- 2) If no Joint Member remains qualified to be a Member and continues to use electric service at the same location, then the Joint Membership terminates.

SECTION 1.05 MEMBERSHIP FEE. The membership fee, if any, shall be as determined from time to time by resolution of the Board of Directors of the Cooperative. Such resolution shall indicate whether such fee shall be refundable and may eliminate the fee entirely.

SECTION 1.06 MEMBERSHIP AGREEMENT. The Articles and these Bylaws are contracts between the Cooperative and a Member. By becoming a member, the member acknowledges that: (1) Every member's cooperation is a vital and integral part of the Cooperative; (2) the Cooperative's successful operation depends upon each member complying with the Governing Documents, and (3) Members are united in an interdependent relationship. By becoming a Member, such Member agrees:

1. that the Articles of Incorporation and these Bylaws are contracts between the Cooperative and the Member;
2. to comply with the Articles, Bylaws, and rules and regulations approved by the Board;
3. at prices, rates, or amounts determined by the Board, and pursuant to the terms, conditions, time, and manner specified by the Cooperative, pay the Cooperative for service provided to the Member and for fees, deposits, and contributions required by the Articles, Bylaws, and rules and regulations approved by the Board;
4. to allow the Cooperative access to Cooperative facilities on the Member's property;
5. to reasonably grant without compensation rights-of-way across Member's property for Cooperative facilities to serve other Members or potential Members; and

6. to allow the trimming of trees along rights-of-way to provide for the efficient and safe operation of the electric distribution system.
7. the Cooperative uses reasonable diligence to maintain service, but does not guarantee a constant or regular supply of electricity and shall not be liable for damages due to variations or cessations in such supply.

If a Member fails to comply with the Articles, Bylaws, and rules and regulations approved by the Board, the Cooperative may terminate the Member and the electric service provided to the Member.

SECTION 1.07 TERMINATION OF MEMBERSHIP. The membership of a Member who ceases to receive service from the Cooperative for any reason shall be terminated automatically. Termination of membership in any manner shall not release a Member or his estate from any debts or obligations due the Cooperative. In case of termination of membership in any manner, the Cooperative shall repay to the Member the amount of the membership fee, if any and it being refundable, less any debts and obligations due the Cooperative.

ARTICLE II RIGHTS AND RESPONSIBILITIES OF MEMBERS

SECTION 2.01. PROPERTY INTEREST OF MEMBERS. Upon dissolution, after

- (a) All debts and liabilities of the Cooperative shall have been paid, and
- (b) All capital furnished through patronage shall have been retired as provided in these Bylaws,

Then the remaining property and assets of the Cooperative shall be distributed among the members of the Cooperative at the time 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 next ten years preceding the date of the filing of the certificate of dissolution.

SECTION 2.02. NON-LIABILITY FOR DEBTS OF THE COOPERATIVE. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III

MEETING OF MEMBERS

SECTION 3.01. ANNUAL MEETING. The Annual Meeting of the members shall be held at such time and such place within a county served by the Cooperative, as selected by the Board and which shall be designated in the notice of the meeting, for the purpose of electing Board members, passing upon reports from the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the Annual Meeting. Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02. SPECIAL MEETINGS. Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any three Board members, by the President, or by ten (10) per centum or more of all members. Such resolution or written request shall describe the purpose of the meeting. 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 one of the counties served by the Cooperative as designated by the Board and shall be specified in the notice of the special meeting.

SECTION 3.03 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 to each member not less than ten (10) 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, or upon a default in duty by the Secretary, by the persons calling the meeting. 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.

SECTION 3.04 QUORUM. A quorum for the transaction of business at any meeting of

the members shall consist of at least one hundred fifty (150) members. Members voting by mail or by electronic means, as well as members present at the meeting, shall be counted for the purpose of establishing a quorum. If less than a quorum is present at any meeting of the members, the majority of those present may adjourn the meeting from time to time without further notice.

SECTION 3.05 VOTING. Each member shall be entitled to only one (1) vote on each matter submitted to a vote of the membership. All questions shall be decided by a vote of a majority of the members voting thereon except as provided by law, or otherwise provided in the Articles of Incorporation, or these Bylaws.

(a) All voting on the election of Directors, and on any motion or resolution or other matters which are necessary to be voted on by the membership may, if so provided, be by hand delivery, mail or electronic means. Except as otherwise provided in these Bylaws, only actions included on mail or electronic ballots distributed prior to a Member meeting may be voted on at a member meeting. Voting as required by Article IV, Section 5, and Article IX of these Bylaws, or any other matter or resolution not provided to be voted on by hand delivery, mail, or electronic means, may only be by members personally present at such meeting.

(b) Unless otherwise determined by the Board, official ballots received by mail, electronic means, or hand delivered to the Cooperative shall be counted if received by the Cooperative at the close of business on the day of any such meeting. Official ballots may also be deposited at the meeting. The failure of any member to receive a copy of any such ballot shall not invalidate any action which may be taken at the meeting at which the ballot is to be voted.

(c) Oversight of the election process shall be conducted by a Judge of Elections appointed by the Board. The Judge of Elections shall be assisted by a group of volunteer members who will serve as Tellers for the election. The Judge of Elections and the Tellers must not be (1) a member of the Nominating Committee; or (2) an existing, or a close relative of an existing cooperative director, employee or known director candidate.

SECTION 3.06 ORDER OF BUSINESS. Except as otherwise provided in these Bylaws, before or at an Annual or Special Member Meeting the Board shall determine the agenda, program, or order of business for the Member Meeting. Such agenda for an Annual Meeting shall include a report or reports on the condition of the Cooperative.

Except as otherwise provided by the Board before or at a member meeting, the President (1) shall preside, or designate another individual to preside, at the Member Meeting; (2) may remove a Person from the Member Meeting for unruly, disruptive, or similar behavior; and (3) may exercise power reasonably necessary for efficiently and effectively conducting the Member meeting.

SECTION 3.07. PROCEDURE. All meetings of the members shall be conducted in accordance with procedures set forth in *Robert's Rules of Order, Newly Revised (10th ed. 2000)* except where otherwise provided by the provisions of these Bylaws.

ARTICLE IV BOARD MEMBERS

SECTION 4.01. GENERAL POWERS. Except as otherwise provided in these Bylaws:

- 1) Cooperative powers must be exercised by the Board, or under the Board's authority;
- 2) Cooperative affairs must be managed under the Board's direction; and
- 3) The Board shall reasonably administer and enforce these Bylaws, or shall ensure that these Bylaws are reasonably administered and enforced.

To the extent the Governing Documents authorize a Person to exercise a power that the Board would otherwise exercise, the Person exercising the power has, and is subject to, the same duties responsibilities, and standards of care of the Board.

SECTION 4.02. ELECTION AND TENURE OF OFFICE. Two Directors shall be elected by ballot at each Annual Meeting of the members to serve a term beginning on the day of the next regular Board of Directors meeting held following the Annual Meeting until the regular Board of Directors meeting held following the Annual Meeting of members four years hence. If an election of Board members shall not be held on the day designated for the Annual Meeting or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing Board members within a reasonable time thereafter. Board members may be elected by a plurality vote of the members.

The two Directors elected shall be elected from the Counties of the Commonwealth of Pennsylvania, in the following rotation and order and from year to year commencing at the Annual Meeting in the year 1980.

Clarion County and Butler County
Venango County and Clarion County
Armstrong County and Butler County
Venango County and Forest County

Mercer County shall be considered a part of Venango County, and Allegheny County shall be considered a part of Butler County.

SECTION 4.03. QUALIFICATIONS. Members accepting a seat on the Board of Directors are expected to be able and available to perform all the functions of the position. This includes regular attendance at board meetings, special board meetings, committee meetings and other activities of the cooperative in which board members are expected to participate. It also includes the ability and availability to serve in board offices, committees and as a delegate to affiliated organizations such as the Pennsylvania Rural Electric Association and Allegheny Electric Cooperative.

More specifically, no person shall be eligible to become or remain a Board member of the Cooperative who:

- (a) is not a natural person with the legal capacity to execute binding contracts;
- (b) is not a member in good standing;
- (c) has been convicted of a felony within the last five (5) years;
- (d) is not a bonafide resident of the county which he is to represent for a minimum period of one continuous year immediately preceding his election;
- (e) is, or a member of his or her immediate family is, in any other way employed in any other business enterprise engaged in selling or distributing electric energy, or is a retired employee of such business enterprise;
- (f) is not consuming and taking service from the facilities of Central Electric Cooperative, Inc., at his or her residence home;
- (g) if the proposed or elected Director is, or a member of his or her immediate family is, engaged in selling at wholesale or retail goods, equipment, or material that is used or could be used in and about the business of the Cooperative, the proposed or elected Director shall refrain from sale to the Cooperative during his term of office and candidacy to office;
- (h) is unwilling to acquaint himself and does not acquaint himself in and about the business and workings of the Cooperative; does not become familiar and

informed in and about the business and affairs of the Cooperative, including training and attendance at seminars and sessions for Directors;

- (i) shall miss more than 2 regular meetings of the board in a calendar year;
- (j) is or was, or his or her spouse is or was, in any way employed by the Cooperative;
- (k) is the parent, husband, wife, son, daughter, brother, sister, step-father, step-mother, step-son, step-daughter, step-brother, step-sister, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, uncle, aunt, niece or nephew of a person regularly employed by the Cooperative, or currently a member of the Board, whether by the whole or half blood or adoptive;
- (l) is in violation of these bylaws, published policies of the Cooperative, or any other governing documents;
- (m) is not in compliance with any other reasonable qualifications determined by the Board.

Upon the establishment of the fact that a Board member is holding the office in violation of any of the foregoing provisions, the Board, by the affirmative vote of not less than two-thirds of the Board at any regular or special meeting, may remove such Board member from office.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

SECTION 4.04 NOMINATIONS. All incumbent Directors are automatically nominated to run for the office of Director unless they shall refrain, decline, and refuse to run, and the nominating committee shall make the incumbent Director one of the nominees to run for the office of Director.

It shall be the duty of the Board to appoint, not less than thirty (30) days before the date of a meeting of the members at which Board members are to be elected, a committee on nominations, consisting of not less than one (1) member from each of the five (5) counties having the largest number in the Cooperative; for said purposes, the county of Mercer shall be considered a part of Venango County and the county of Allegheny shall be considered to be a part of Butler County. No member of the Board shall serve on such committee. The committee so appointed shall only consider

candidates for the office of Director who have submitted a petition for such office which has been signed by twenty (20) members of the Cooperative and submitted on or before a date set by the Board prior to the meeting of the Nominating Committee. The committee shall post at the principal office of the Cooperative at least twenty (20) days before the meeting a list of nominations for Board Members, which may include a greater number of candidates than are to be elected. The Secretary shall be responsible for mailing with the notice of the meeting or separately, but at least ten (10) days before the date of the meeting, a statement of the number of Board members to be elected and the names and addresses of the candidates by the committee on nominations. The nominations for the office of Director shall be limited to those individuals who have applied for candidacy by petitioning the Nominating Committee. There shall be no nominations from the floor of the meeting.

SECTION 4.05. REMOVAL OF BOARD MEMBER BY MEMBERS.

- (A) A director may be removed for cause by the affirmative vote of a majority of the members present at a special meeting of the members called for such purpose in accordance with the Bylaws.
- (B) "Cause" for removal shall mean that the director is alleged to have committed an act or omission adversely affecting the business and affairs of the Cooperative and amounting to gross negligence, fraud or criminal conduct.
- (C) No director shall be removed except upon certification that the following procedures have been followed:
 - (i) A written petition must be presented to the Board, which shall:
 - (a) Describe in detail each of the charges and the basis therefore. If more than one director is sought to be removed, individual charges for removal shall be specified.
 - (b) Be signed by a minimum of ten (10) percent of the members of the Cooperative within sixty (60) days of the date of the petition.
 - (ii) If the Board determines that the petition complies with paragraph (C) (i) and only if the Secretary certifies the authenticity of the petition, a special meeting of the members shall be noticed in accordance with these Bylaws and shall be held within sixty (60) days after receipt by the Cooperative of the written petition.
 - (iii) At such special meeting, evidence must be presented in support of the charges.

The director shall be entitled to be represented by counsel and shall have the opportunity to refute such charges and present evidence in his or her defense before a vote of the members is taken.

- (D) The required quorum at the special meeting for the removal of a director or directors shall be determined to be the greater in number of the members who voted:
- (i) in the election of said director or directors;
 - (ii) in the election of the director or directors whose vacancy he or she was appointed to fill; or
 - (iii) in the election of directors conducted at the last annual meeting.
- (E) Nothing contained herein, however, shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

SECTION 4.06. VACANCIES. A vacancy occurring in the Board by reason of removal, death, resignation or expulsion shall be filled by the affirmative vote of no less than two-thirds of the remaining Board members for the unexpired portion of the term.

SECTION 4.07. DIRECTOR COMPENSATION. As determined or approved by the Board, the Cooperative may reasonably compensate a Director, and reimburse expenses for attending a: (1) Board meeting; (2) function, meeting, or event involving or relating to the Cooperative; or (3) function, meeting, or event involving, relating to, or reasonably enhancing the Director's ability to serve in the role of Director. The Board must determine or approve the manner, method, and amount of any Director compensation and/or expense reimbursement.

ARTICLE V

LIMITATION OF PERSONAL LIABILITY OF DIRECTORS; INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHER AUTHORIZED REPRESENTATIVES

SECTION 5.01. LIMITATION OF PERSONAL LIABILITY OF DIRECTORS. A director of the Cooperative shall not be personally liable for monetary damages as such for any action taken, or any failure to take any action, unless:

- (a) the director has breached or failed to perform the duties of his or her office as defined in Section 5.02 below; and
- (b) the breach or failure to perform constitutes self dealing, willful misconduct or recklessness.

The provisions of this section shall not apply to (1) the responsibility or liability of a director pursuant to any criminal statute or (2) the liability of a director for the payment of personal taxes pursuant to local, state or federal law.

SECTION 5.02. STANDARD OF CARE AND JUSTIFIABLE RELIANCE.

(a) A director of the Cooperative shall stand in a fiduciary relationship to the Cooperative, and shall perform his or her duties as a director, including his or her duties as a member of any committee of the Board upon which he or she may serve, in good faith, in a manner he or she reasonably believes to be in the best interests of the Cooperative, and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. In performing his or her duties, a director shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any one of the following:

- (i) One or more officers or employees of the Cooperative whom the director reasonably believes to be reliable and competent in the matters presented.
- (ii) Counsel, public accountants or other persons as to matters which the director reasonably believes to be within the professional or expert competence of such person;
- (iii) A committee of the Board upon which he or she does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the director reasonably believes to merit confidence.

A director shall not be considered to be acting in good faith if he or she has knowledge concerning the matter in question that would cause his or her reliance to be unwarranted.

(b) In discharging the duties of their respective positions, the Board, committees of the Board and individual directors may, in considering the best interests of the Cooperative, consider the effects of any action upon employees, upon persons with whom the Cooperative has business and other relations and upon communities which the offices or other establishments of or related to the Cooperative are located, and all other pertinent factors. The consideration of those factors shall not constitute a violation of subsection (a) of this section.

SECTION 5.03. INDEMNIFICATION IN THIRD PARTY PROCEEDINGS. The Cooperative may indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Cooperative) by reason of the fact that he or she is or was a representative of the Cooperative, or is or was serving at the request of the Cooperative as a representative of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

SECTION 5.04. INDEMNIFICATION IN DERIVATIVE ACTIONS. The Cooperative may indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action or suit by or in the right of the Cooperative to produce a judgment in its favor by reason of the fact the he or she is or was a representative of the Cooperative, or is or was serving at the request of the Cooperative as a representative of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Cooperative and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Cooperative unless and only to the extent that the Court of Common Pleas of Armstrong County or the court in which such action or suit was brought shall determine upon application that,

despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the said Court of Common Pleas or such other court shall deem proper.

SECTION 5.05. MANDATORY INDEMNIFICATION. Notwithstanding any contrary provision of the Articles or these Bylaws, to the extent that a representative of the Cooperative has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in either Section 5.03 or Section 5.04 above, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

SECTION 5.06. DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION. Unless ordered by a court, any indemnification under Section 5.03 or 5.04 above shall be made by the Cooperative only as authorized in the specific case upon determination that indemnification of the representative is proper in the circumstances because he or she has met the applicable standard of conduct set forth in such paragraph. Such determination shall be made:

- (a) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding; or
- (b) if a majority of Directors so directs, by independent legal counsel in a written opinion.

SECTION 5.07. NONEXCLUSIVITY AND SUPPLEMENTARY COVERAGE. The provisions of Section 5.03, 5.04 and 5.05, or any other provisions of law providing for indemnification or advancement of expenses applicable to the Cooperative shall not be deemed exclusive of any other rights to which Cooperative representatives seeking indemnification or advancement of expenses may be entitled under any agreement, vote of members or disinterested directors or otherwise. The Cooperative may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner its indemnification obligations, whether arising under or pursuant to Section 5.03, 5.04, 5.05, or otherwise. Indemnification, however, shall not be made in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness.

SECTION 5.08. ADVANCE PAYMENT OF EXPENSES. Expenses incurred by a director, officer, employee or agent of the Cooperative in defending a civil or criminal action, suit or

proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding upon receipt of a written agreement by or on behalf of such person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Cooperative.

SECTION 5.09. INDEMNIFICATION OF FORMER REPRESENTATIVES. The indemnification and advancement of expenses provided by, or granted pursuant to, the provisions of this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

SECTION 5.10. INSURANCE. The Cooperative shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any capacity or arising out of such person's status as such, whether or not the Cooperative would otherwise have the power to indemnify such persons against such liability.

SECTION 5.11. RELIANCE ON PROVISIONS. Each person who shall act as an authorized representative of the Cooperative shall be deemed to be doing so in reliance upon the rights of indemnification provided by this Article.

ARTICLE VI MEETINGS OF BOARD

SECTION 6.01. REGULAR MEETINGS. A regular meeting of the Board shall be held monthly at such time and place within one of the counties served by the Cooperative as designated by the Board. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 6.02. SPECIAL MEETINGS. Special meetings of the Board may be called by the Board, the President, 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 Board, the President or Board members calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 6.03. NOTICE OF SPECIAL BOARD MEETING. Notice of the time and place of any special meeting of the Board shall be given to each Board Member, either personally or by mail at least five days prior to the meeting, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President 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.

SECTION 6.04. TELECONFERENCE PARTICIPATION IN BOARD MEETINGS. Meetings of the Board may be attended by teleconference as governed by Board policy.

SECTION 6.05. QUORUM. A majority of the Board in office immediately preceding a Board meeting shall constitute a quorum, provided that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Board Members of the time and place of such adjourned meeting. The act of a majority of the Board Members present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws or in the written Policy Bulletin of the Board.

SECTION 6.06. WAIVER OF BOARD MEETING NOTICE. At any time, a Director may waive notice of a Board Meeting by delivering to the Cooperative a written waiver of notice signed by the Director and later filed with the Board Meeting minutes or the Cooperative's records. A Director's attendance at, or participation in, a Board Meeting waives notice of the Board Meeting and any matter considered at the Board Meeting unless the Director:

- (1) Upon arriving at the Board Meeting or before the vote on a particular matter, objects to lack of, or defective, notice of the Board meeting or a matter being considered at the Board Meeting, and
- (2) Does not vote for, or assent to, an objected matter.

SECTION 6.07. PROCEDURE. Except as otherwise provided by the majority of the attending Board/Committee members, at any time, and except as otherwise provided in the governing documents, *Robert's Rules of Order, Newly Revised (110th ed. 2000)*, governs all Board Meetings and Board Committee meetings.

ARTICLE VII OFFICERS

SECTION 7.01. NUMBER. The officers of the Cooperative shall be a President, Vice President, 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. The President, Vice President, Secretary and Treasurer shall be elected by a majority vote of the Directors in office and must be a member of the Board of Directors.

SECTION 7.02. ELECTION AND TERM OF OFFICE. The officers shall be elected by ballot, 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 at such meeting, such election shall 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 his successor shall have been selected and shall have qualified. A vacancy in any such office shall be filled by the Board for the unexpired portion of the term.

SECTION 7.03. REMOVAL OF OFFICERS AND AGENTS BY THE BOARD. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Cooperative will be served thereby.

SECTION 7.04. PRESIDENT. Except as otherwise provided by the Board or these Bylaws, the President:

- 1) shall preside, or designate another individual to preside, at all Board and Member meetings; and
- 2) may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, or shall be otherwise required by law to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board 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
- 3) shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board.

SECTION 7.05. VICE PRESIDENT. In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President,

and when so acting shall have all the powers and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to him by the Board.

SECTION 7.06. SECRETARY. Except as otherwise provided by the Board or these Bylaws, the Secretary:

- 1) shall be responsible for preparing minutes of Board and member meetings;
- 2) shall be responsible for authenticating the Cooperative's records;
- 3) may affix the Cooperative's seal to a document authorized or approved by the Board or Members; and
- 4) shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board.

SECTION 7.07. TREASURER. Except as otherwise provided by the Board or these Bylaws, the Treasurer shall perform all duties, shall have all responsibility, and may exercise all authority, prescribed by the Board.

SECTION 7.08. OTHER OFFICERS. The Board may elect or appoint other officers. The same individual may simultaneously hold more than one office. Except as otherwise provided by Law, this individual may not execute, acknowledge, or verify a document in more than one capacity. Other Officers:

- 1) may be Directors or Cooperative employees,
- 2) must be elected or appointed by the affirmative vote of a majority of current Directors;
- 3) may assist the President, Vice President, Secretary or Treasurer; and
- 4) shall perform all duties, shall have all responsibilities, and may exercise all authority, prescribed by the Board.

SECTION 7.09. AUTHORITY TO EXECUTE DOCUMENTS. On the Cooperative's behalf, two Board Officers may sign, execute, and acknowledge a document properly authorized or approved by the Board or Members. The Board may authorize additional Cooperative Officials to sign, execute, and acknowledge a document on the Cooperative's behalf.

SECTION 7.10. BONDS. At the Cooperative's expense, the Cooperative may purchase a bond covering a Cooperative Official.

SECTION 7.11. OFFICER COMPENSATION. Except as otherwise provided by the Board or in a Bylaw addressing Director compensation, reimbursement, salaries, or benefits, the Cooperative may reasonably compensate, reimburse, pay a salary to, or provide insurance or other benefits to, an Officer.

SECTION 7.12. REPORTS. The officers of the Cooperative shall submit annually to 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 VIII NON-PROFIT OPERATION

SECTION 8.01. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED. The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its Patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

(a) PATRON. The term "Patron" means a member.

(b) JOINT MEMBERSHIP. Upon receiving written notice and sufficient proof of the termination, conversion, or alteration of a Joint Membership: (1) through the death of a Joint Member, the Cooperative shall assign and transfer the Capital Credits of the Joint Membership, allocated, or to be allocated, to the surviving Member; or (2) other than through the death of a Joint Member, and except as otherwise provided by a court or administrative body of competent jurisdiction, and except as otherwise provided by the Joint Members, the Cooperative shall assign and transfer to each Joint Member an equal portion of Capital Credits allocated, or to be allocated, to the Joint Membership.

SECTION 8.02. ALLOCATING AND CREDITING CAPITAL. In the furnishing of electric service the Cooperative's operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric service in excess of operating costs and expenses

properly chargeable against the furnishing of electric service. All such amounts in excess of the aforesaid operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such capital. 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 such capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative in excess of cost and expenses may, insofar as permitted by law, be (a) used to pay or offset any Cooperative cost or expense incurred during the current or any prior fiscal year and/or (b) may be allocated all or in part to 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, and/or (c) retained by the Cooperative as permanent, non-allocated capital, devoted to such reserves for improvement, new construction, depreciation and contingencies as the Board of Directors may, from time to time, prescribe.

Provided further, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric service to the Cooperative. Such rules shall (a) establish a method for determining the power supply portion of capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of the power supply portion of capital credited to the Cooperative's patrons, and (c) preclude a general retirement of the power supply portion of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year of any capital credited to patrons for any fiscal year.

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 patron's premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise.

SECTION 8.03. DISTRIBUTION OF COOPERATIVE CAPITAL CREDITS UPON DISSOLUTION. 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.

SECTION 8.04. GENERAL CAPITAL CREDIT RETIREMENTS. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. Any retirement of capital shall be made in a manner selected by the Board of Directors, and determined by the Board of Directors as fair and equitable to the members of the Cooperative.

SECTION 8.05. SPECIAL RETIREMENT OF CAPITAL CREDITS. Notwithstanding any other provision of these Bylaws the Board, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate 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 these Bylaws, 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.

SECTION 8.06. APPLICATION OF CAPITAL CREDITS TO OUTSTANDING BALANCES OF PAST PATRONS. The Cooperative may use any capital credits to be refunded to past patrons to satisfy any outstanding debts due the Cooperative from the past patron until such balance is satisfied in full.

SECTION 8.07. DUTIES AND OBLIGATIONS OF PATRONS. The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation, Bylaws and Membership Application shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed

a separate instrument containing such terms and provisions. The provisions of this article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE IX

DISPOSITION OF PROPERTY

The Cooperative may sell, lease, lease-sell, exchange or otherwise dispose of all or substantially all of its assets only when authorized by the affirmative vote of two-thirds (2/3) of all the members of the Cooperative under and subject to the provisions of the *Electric Cooperative Law of 1990* including without limitation the provisions set forth in *Section 7331* thereof; provided, however, that notwithstanding anything herein contained, the Board of the Cooperative without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds or trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchise and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income there from, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative.

ARTICLE X

SEAL

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal Pennsylvania."

ARTICLE XI

FINANCIAL TRANSACTIONS

SECTION 11.01. CONTRACTS. Except as otherwise provided in these Bylaws, 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 11.02. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed and/or countersigned by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

SECTION 11.03. DEPOSITS. All funds except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board may select.

SECTION 11.04. FISCAL YEAR. The fiscal year of the Cooperative shall begin on the first day of January and each year shall end on the thirty-first day of December of the same year.

ARTICLE XII

GENERAL

SECTION 12.01. MEMBERSHIP IN OTHER ORGANIZATIONS. The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided, however, that the Cooperative may upon the authorization of the Board, purchase stock in or become a member of any corporation or organization organized for the purpose of engaging in or furthering the cause of rural electrification, allied services and the Cooperative, or with the approval of the appropriate regulatory bodies, of any other corporation for the purpose of acquiring electric facilities.

SECTION 12.02. POLICIES, RULES AND REGULATIONS. The Board shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 12.03. ACCOUNTING SYSTEM AND REPORTS. The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the

Administrator of the Rural Utilities Service of the United States of America. The Board shall also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted annually to the members.

ARTICLE XIII

AMENDMENTS

These Bylaws may be altered, amended, or replaced by the affirmative vote of not less than two-thirds (2/3) of the total membership of the Board, at any regular or special meeting of the Board, provided that the following procedures have been observed:

1. The proposed alteration, amendment, or repeal of the Bylaws was presented to the members of the Board at a regular or special meeting of the Board at least fifteen (15) days but not more than sixty (60) days prior to the meeting at which a vote is to be taken; and
2. The members of the Board are notified in writing with the notice of the meeting that a vote will take place on a proposed change in the Bylaws along with a description of the proposed change.
3. Edits to the language of a proposed Bylaw change, which do not change the intent of the proposed Bylaw change and otherwise meet the requirements of paragraphs 1 and 2 of this section, will not require additional notice prior to consideration and voting.

ARTICLES OF INCORPORATION

On August 6, 1937, the original incorporators of Central Electric adopted the "Articles of Incorporation", as required by Pennsylvania state law, and under the "Electric Cooperative Corporation Act" (Number 389).

Reference is made to these Articles on several pages of the Bylaws.

A copy of the "Articles" is on file at the Cooperative office and may be reviewed by any interested member.