

THE BUCKEYE RURAL ELECTRIC COOPERATIVE, INC.

Code of Regulations

ARTICLE I MEMBERSHIP

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 Buckeye Rural Electric Cooperative (hereinafter called the "Cooperative") upon receipt of electrical service from the Cooperative, provided that he/she or it has first:

- (a) Made a written application for membership 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 called the "Board"); and;

No member may hold more than one voting 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 President and by the Secretary of the Cooperative and the corporate seal or a facsimile thereof shall be affixed to each 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 of 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. Joint Membership. The term “member” shall include the spouse of the person whose name appears on the membership certificate. Adults who are unmarried and living in the same residence may have the option to become joint members as may be set forth in the Cooperative Policies as adopted by the Board. All rights, privileges, and liabilities of membership shall apply equally to joint members, with the exception of the following:

- (a) Notice to either shall constitute notice to both.
- (b) Expulsion of either shall terminate the joint membership.
- (c) Withdrawal of either shall terminate the joint membership.
- (d) Either, but not both, may be elected or appointed as an officer or board member, provided that both meet the qualifications for such office.
- (e) A waiver of notice, signed by either or both, shall constitute a joint waiver.
- (f) 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.
- (g) The principle of one member one vote shall continue to apply so that the vote of either separately or both jointly shall constitute one vote. Nothing in this amendment shall be construed as so to allow members in a joint membership to be entitled to more than one joint vote on any one matter.
- (h) Should spouses choose not to be joint members then only the one of them who has signed the membership shall be deemed a member

SECTION 4. Conversion of Membership. Upon the death of either spouse who is a party to a joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate may be surrendered and may be reissued in such manner as shall indicate the changed membership status, provided however, that the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 5. 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 his/her application for membership, and shall pay

therefore at rates which shall from time to time be fixed by the Board. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative.

SECTION 6. 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/her 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, 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 his/her 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 him, 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 7. Service to all Persons within the Cooperative's Service Area.

- (a) The Cooperative shall extend electric service to all persons, whether members or nonmembers, within the Cooperative's service area who (i) desire such service and (ii) meet all requirements established by the Cooperative as a condition of such service. Conditions of service shall be set forth in the rules and regulations of the Cooperative. All such rules and regulations shall be just, reasonable and not unreasonably discriminatory or preferential. No discrimination or preferences shall be made between member and non-member patrons of the Cooperative with respect to rates or terms or conditions of service. As used in this Code of Regulations, the term "service area" shall mean the entire geographic area within the Cooperative's territorial boundaries as described and on file with the Public Utilities Commission of Ohio or any other regulatory body exercising jurisdiction thereof. Nothing herein shall prohibit the Cooperative from altering said geographic area when the service of electric power is economically not possible.
- (b) Nothing contained in this Code of Regulations, in the Cooperative's rules and regulations, policies, or otherwise, shall be construed to prevent the Cooperative from selling electric power and/or energy or otherwise rendering electric service to non-members or to prohibit the Cooperative from entering into and performing franchises or other contracts with political subdivisions, bodies politic, or governmental agencies or instrumentalities, which franchises or contracts provide for the selling of electric power and/or energy or otherwise rendering electric service to any such subdivisions, bodies, agencies, instrumentalities or the citizens thereof.

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 the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten years next preceding the date of the filing of the certificate of dissolution.

SECTION 2. 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 1. Annual Meeting. The annual meeting of the members shall be held on a date, time, and location as designated by the Board of Trustees. The Board of Trustees may designate any date between March 1 and November 30 each year to hold the annual meeting. The annual meeting shall be held at such place within the service area of the Cooperative as selected by the Board of Trustees. Upon determination of the date, time, and location for the annual meeting, notice will be provided for such annual meeting as set forth in the Code of Regulations. The annual meeting shall be held for the purpose of electing board members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. Failure to hold an annual meeting at the designated time shall not work as a forfeiture or dissolution of the Cooperative. In the event that such annual meeting is not held, for any

reason, a special meeting may be held in lieu thereof, as soon thereafter as convenient, and any business transactions or elections held at such meeting shall be 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 a written request by any three board members, by the President, or by ten 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 Member's 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 and the purpose or purposes for which the meeting is called shall be delivered not less than ten days nor more than forty-five 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 to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his/her address as it appears on the records of the Cooperative with postage thereon prepaid. Such notice may be given by inserting same in the official publication of the Cooperative and mailed as herein before described. 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. All members voting at any meeting of the members, and/or who cast a ballot prior to the meeting in the manner specified in Article III, Section 6 of this Code of Regulations, shall constitute a quorum for the transaction of business at all meetings of the members.

SECTION 5. Voting. Each member shall be entitled to one vote and

no more, nontransferable, upon each matter submitted to vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon, except as otherwise provided by law, the Articles of Incorporation, or this Code of Regulations.

SECTION 6. Alternative Voting Methods. On all matters to be submitted to a vote of the members, voting thereon may be conducted at a duly called meeting of the members, by mail ballot, authorized electronic communications equipment, or any combination thereof, or by other means the Board deems appropriate, in its discretion, or as otherwise provided by law, the Articles of Incorporation of the Cooperative, or this Code of Regulations.

For all matters to be voted upon by the members by mail, the Secretary shall prepare or cause to be prepared, a ballot that lists the nominees for Trustees, nominated as specified in Article IV, Section 4 of this Code of Regulations, and all other matters to be voted on by the members.

The ballot shall be mailed to the members in a reasonable amount of time prior to the time that voting is to conclude. The mailing shall include, with the ballot, a designation of the date and time before which the ballot must be returned, as well as a designation of the location where, and the manner in which, the ballot shall be returned.

The aforesaid information may be notated directly on the ballot. Ballots that are received after the date and time designated, or in a manner or location other than the manner and location designated in said mailing, will not be counted.

The ballot shall be deemed to be delivered to the member when deposited in the United States mail, addressed to the member at his/her address as it appears on the records of the Cooperative, with postage thereon prepaid. Such ballot may be given by inserting the same in the official publication of the Cooperative and mailed as hereinbefore described. The failure of any member to receive a ballot shall not invalidate the results of any such matter to be voted upon.

SECTION 7. 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 mailing thereof, or waiver or waivers of notice of the meeting, as the case may be;
2. Reading of 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. Election of board members;
5. Unfinished business;
6. New business;
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 which shall exercise all of the powers of the Cooperative except such as are by law and the Articles of Incorporation or this Code of Regulations conferred upon or reserved to the members.

SECTION 2. Election and Tenure of Office. The Board shall divide the service area of the Cooperative into five (5) districts as follows: District I-Lawrence County; District II-Gallia County; District III-Jackson County; District IV-Meigs, Vinton and Athens Counties; District V-Pike, Scioto and Ross Counties. 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. Districts I, II and III shall be represented by two board members from each district; District IV shall be represented by not less than two nor more than four board members; District V shall be represented by one board member. The board members shall be elected each year by secret ballot at the annual meeting held (in off

years) by the members or at any meeting held in lieu thereof as hereinbefore provided by and from the members to serve for a term of six (6) years or until their successor 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. Board members shall be elected by a plurality vote of the members.

SECTION 3. Qualifications. No person shall be eligible to become or remain a member of the Board who is not an active member and bona fide resident in the particular district within or contingent to the service area of the Cooperative which he/she is to represent or is in any way employed by or financially interested in a competing enterprise or a business selling electric power and/or energy or supplies to the Cooperative or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative.

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 one hundred fifty (150) calendar days before the date of a meeting of the members at which members of the Board are to be elected, a committee on nominations consisting of one member and one alternate from each district in which a trustee is to be elected who shall be selected so as to ensure equitable representation on the committee to the geographic areas constituting the designated service areas of the Cooperative in which Trustees are to be elected. No member of the Board or officer may serve on such committee.

The committee shall prepare and post at the principal office of the Cooperative at least one hundred twenty (120) calendar days before the meeting of the members a list of nominations for board membership, which shall include at least one candidate from each district for each position for a board member representing such district, which is to be filled at the next annual meeting of members, or at any meeting held in lieu thereof as hereinbefore provided.

Any twenty-five (25) or more members may make other nominations by petition not less than one hundred five (105) calendar days prior to 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, with the notice of the election, the names and addresses of any persons so nominated.

No person shall be voted upon for membership on the Board who has not signified his/her willingness to serve, and who is not in compliance with any candidate qualifications set forth in the policies of the Cooperative.

The Secretary shall be responsible for mailing, with the notice of the meeting of the members, a statement of the number of board members to be elected and the names and addresses of the candidates.

Nothing contained in this section shall 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 Member. Any member may bring charges against a board member and, by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum of the members, may request the removal of such board member for just cause. Such board member shall be informed in writing of the charges at least thirty (30) days prior to the meeting of members at which the charges are to be considered and shall have the opportunity at the meeting to be heard in person or by counsel and to present evidence in respect to the charges and the person or persons bringing the charges against him/her shall have the same opportunity. The question of the removal of such board member shall be considered and voted upon at the meeting of members and any vacancy created by such removal may be filled by vote of the members at such meeting with compliance with the foregoing provisions with respect to nominations.

SECTION 6. Vacancies. Subject to the provisions of this Code of Regulations with respect to the filling of vacancies caused by the removal of board members, a vacancy occurring in the Board shall 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.

SECTION 7. Compensations. 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 actual 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. Any close relative of a board member employed by the Cooperative during an emergency shall continue in his or her employment until such time as approved or disapproved by a vote of the members at the next meeting of the board members. The duties and compensations of such employee shall be fixed by the Board. As used in this section, "close relative" means the relationships of father, mother, brother, sister, son or daughter existing by reason of blood, marriage, or adoption.

ARTICLE V MEETINGS OF BOARD OF TRUSTEES

SECTION 1. Regular Meetings. A regular meeting of the Board shall be held without notice, immediately after and at the same place as the annual meeting of the members. A regular meeting of the Board shall also be held monthly at such time and place, either within or without the State of Ohio, as designated by the Board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. Special Meeting. Special meetings of the Board may be called by 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 President 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 President or the board members 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/her 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 provided that if less than such a majority of the Board is present at said meeting. A majority of the Board present may adjourn the meeting from time to time provided that the Secretary or his/her duly authorized representative 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 President, Vice President, Secretary, Treasurer, Chief Executive Officer 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 Chief Executive Officer and any of the officers appointed pursuant to

Section 3 of ARTICLE VI, shall be elected by ballot annually by and from the Board at the meeting of the Board held immediately 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 is convenient. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until his/her successor 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 Chief Executive Officer shall be chosen and employed and his/her compensation shall be set by the Board. 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 at its discretion may appoint one or more Assistant Vice Presidents, 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 judgment the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer and by filing with the Secretary such charges in writing together with a petition signed by ten per centum of the members may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten days prior to the Board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges. The person or persons bringing the charges against him/her shall have the same opportunity. In the event the Board does not remove such officer, the questions of his/her removal shall be considered and voted upon at the next meeting of the members. Notwithstanding any other provisions of this Code of Regulations the Board may at its discretion authorize a written

employment agreement between the Cooperative and the Chief Executive Officer containing terms and conditions relating to the removal of the Chief Executive Officer which are inconsistent with this Code of Regulations.

SECTION 5. Resignations. Any officer may resign at any time by giving written notice to the Board, the President or to the Secretary of the Cooperative. Any such resignation shall take effect at the time specified therein 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 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 Chief Executive Officer the Board shall choose and employ a Chief Executive Officer upon terms and conditions which the Board considers to be in the best interests of the Cooperative.

SECTION 7. President. The President shall:

- (a) be the principal executive 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 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 the 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 President and such other duties as may be prescribed by the Board from time to time.

SECTION 8. Vice President. In the absence of the President or in the event in his/her inability or refusal to act, the Vice President shall

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

SECTION 9. Secretary. The Secretary shall be responsible for:

- (a) supervising or seeing to the keeping of the minutes of the meetings of the members and of the Board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with the Code of Regulations or as required by law;
- (c) the safe keeping of the cooperative books and records 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, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of the Code of Regulations;
- (d) keeping a register of the names and post office addresses of all the members;
- (e) signing with the President certificates of membership;
- (f) keeping on file at all times a complete copy of 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 all amendments to any member upon request; and
- (g) 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 the Assistant Secretary 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 Secretary or 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 the Treasurer, and such other duties as from time to time may be assigned to him/her by the Board.

SECTION 12. Assistant Treasurer. If an Assistant Treasurer is appointed by the Board pursuant to Section 3 of this ARTICLE VI, he/she need not be a member of the Board and shall hold office until relieved by the Board. He/she shall assist the Treasurer in the performance of the Treasurer's duties as requested by the Treasurer or by the Board.

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

- (a) be the chief administration 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 necessary to inform the Board concerning the operation of the Cooperative; and
- (d) in general, perform all duties incident to the office of Chief Executive Officer as chief administrative officer and perform such other duties as may from time to time be assigned to him/her by the Board.

SECTION 14. Bonds of Officers. The Treasurer and 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 at its discretion may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with surety as it shall determine.

SECTION 15. Compensation. The powers, duties and compensation of officers, agents, and employees 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 relatives 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 members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

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 non-members 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 members for all amounts received and receivable from the furnishing

of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as capital. The Cooperative is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital (and losses¹), if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to his/her account. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital.

Notwithstanding any provision of this Article VII, the amount to be credited to the capital of members on account of their patronage shall be the greater of alternative minimum taxable income or regular taxable income resulting from their patronage as determined under Federal income tax law.

Funds and amounts other than operating margins received by this Cooperative that exceed this Cooperative's costs and expenses may be:

1. allocated as capital credits to patrons in the same manner as this Cooperative allocates capital credits to Patrons; or
2. used by this Cooperative as permanent, non-allocated capital.

¹ *This does not apply as long as BREC is a RUS borrower.*

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. The Board shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital.

Provided, however, that the Board of Trustees shall have the power to adopt rules providing for the separate retirement of that portion "power supply or other service or supply portion" of capital credited to the accounts of members which corresponds to capital credited to the account of the Cooperative by an organization furnishing power supply or any other service or supply to the Cooperative. Such rules shall (a) establish a method for determining the portion of such capital credited to each member for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's members, (c) provide for appropriate notifications to members with respect to such portions of capital credited to their accounts and (d) preclude a general retirement of such portions of capital to members for any fiscal year prior to the general retirement of other capital credited to members for the same year or of any capital credited to members for any prior fiscal year.

Capital credited to the account of each member 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 a member's premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions of this Code of Regulations, the Board at its discretion shall have the power at any time upon the death of any member, if the legal representatives of his/her estate shall request in writing that the capital credited to any such member be retired prior to the time such capital would otherwise be retired under the provision of this Code of Regulations, to retire

capital credited to any such member immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such member's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

Notwithstanding any other provision of the Code of Regulation or other provision of the membership certificate, if any patron or former patron fails to claim any cash retirement of capital credits or other payment from the Cooperative within four years after payment of the same has been made available by notice or check mailed to the last address furnished 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 by the Cooperative at the last address furnished 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 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 newspaper circulated in the service area of the Cooperative, which may be the Cooperative newsletter. The sixty (60) day period following the giving of such or sixty (60) days following the last date of publication thereof, whichever is later.

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 Regulation 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, lease or otherwise dispose of or encumber all or any substantial portion of its property 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 the 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 the 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 provisions of this Article, the Board may upon authorization of a majority of those members of the Cooperative present at a meeting of the 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 or has been a member of Ohio Rural Electric Cooperatives, Inc.

Notwithstanding the foregoing provisions of this Article, nothing contained herein shall be deemed or construed to prohibit an exchange of electric plant facilities for electrical 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 State of Ohio," but failure to affix the Cooperative 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 evidence 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 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 federally insured financial institution or institutions as the Board may approve.

SECTION 4. Fiscal year. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on 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 the Code of Regulations. The attendance of a member or a board member at any meeting shall constitute a waiver of notice of such meeting by such member or board member, except in 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 Articles of Incorporation or this Code of Regulations, as 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 which, among other things and subject to applicable laws and rules and regulations of any regulatory body, shall substantially conform to each accounting system as may from time to time be designated by the appropriate governmental regulatory body. 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. Confirmation of such audit shall be submitted to the members at the next annual meeting.

ARTICLE XII AMENDMENTS

The Code of Regulations may be altered, amended or repealed by the members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

ARTICLE XIII

INDEMNIFICATION OF BOARD MEMBERS AND OFFICERS

SECTION 1. Each board member and officer now or hereafter serving the Cooperative, and each person who at the request of or on the behalf of the Cooperative is now serving or hereafter serves as a trustee, director or officer of any other corporation, and the respective heirs, executors, and administrators of each of them, shall be indemnified by the Cooperative against all costs, expenses, judgements, decrees, fines, penalties and liabilities, including attorneys fees, actually and necessarily incurred by or imposed in connection with or resulting from any action, suit or proceeding, civil or criminal, in which he/she is or may be made a party by reason of being or having been such board member, trustee, director or officer, or by reason of any action alleged to have been taken or omitted by such board member, trustee, director or officer, whether or not the individual is a board member, trustee, director or officer at the time of incurring such costs, expenses, judgements, decrees, fines, penalties and liabilities; provided, however, that the indemnification provided for in this Section 1 shall be made only if such board member, trustee, director or officer:

- (a) is adjudicated or determined not to have been negligent or guilty of misconduct in the performance of duties to the Cooperative or the corporation of which he/she is or was a trustee, director or officer;
- (b) is determined to have acted in good faith in what the individual reasonably believed to be the best interest of such corporation, and;
- (c) in any matter the subject of a criminal action, suit or proceeding is determined to have had no reasonable cause to believe that the individual conduct was unlawful.

The determination as to (b) and (c) and in the absence of adjudication as to (a) by a court of competent jurisdiction, the determination as to (a) shall be made by the Board acting at a meeting at which a quorum is present consisting of the board members who are not parties to or threatened with any such action, suit, or proceeding as that giving rise to the matter. Any board member who is a party to or threatened with

any such action, suit or proceeding shall not be qualified to vote and, if for this reason a quorum of the Board cannot be obtained to vote on such indemnification, no indemnification shall be made unless a determination is made as to (a), (b) and (c) above by the Executive Committee of Ohio Rural Electric Cooperatives, Inc. acting at a meeting thereof at which a quorum consisting of the members of said committee who are not trustees, directors or officers of the indemnifying corporation are present. Any member of said Executive Committee who is a trustee, director or officer of the indemnifying corporation shall not be qualified to vote and, if for this reason a quorum of members of the Executive Committee of said Executive Committee cannot be obtained to vote on such indemnification, the matter shall be submitted to an arbitrator appointed pursuant to the rules of the American Arbitration Association for determination, and said arbitration shall be conducted in accordance with the rules of said Association. Such indemnification shall be made with respect to adjudication other than on the merits and shall extend to settlements and compromises.

SECTION 2. The right of indemnification provided for by Section 1 of the ARTICLE XIII shall not be exclusive of any other rights to which a board member, trustee, director or officer may be entitled under any law, agreement, vote of shareholders, vote of members, any insurance purchased by the Cooperative, or otherwise.