

**BY LAWS OF
REA ENERGY COOPERATIVE, INC.**

MISSION STATEMENT

REA Energy Cooperative, Inc., a member-owned and consumer-driven electric cooperative, will provide quality electric service at a competitive price. Its board and management will work together, as a team, to improve the quality of rural life, now and in the future, by following cooperative principles, promoting economic development, and any other means that may benefit its consumer members.

**ARTICLE I
Membership**

Section 1. Requirements for Membership. Any person, firm, association, partnership, corporation or body politic or subdivision thereof within the territory of the Cooperative as defined under the Pennsylvania Electric Cooperative Law of 1990, 15 Pa.C.S.A. § 7301 et seq., or other applicable law, rule or regulation may become a member of the Cooperative by:

- (a) making a written application for membership;
- (b) agreeing to purchase electric service from the Cooperative;
- (c) agreeing to comply with and be bound by the Articles of Incorporation and By-laws of the Cooperative and any rules and regulations adopted by the Board of Directors; and
- (d) paying the nonrefundable service fee to be determined by the Board of Directors. Provided however, that no person, firm, association, partnership, corporation or body politic or subdivision thereof shall become a member unless and until he, she or it has been accepted for membership by the Board of Directors. No member may hold more than one membership in the Cooperative.

Section 2. Joint Membership. Two or more natural persons residing upon the premises receiving service from the Cooperative may apply for a joint membership and, subject to their compliance with the requirements set forth in Section I of this Article, may be accepted for such membership. The term “member” as used in these By-laws shall include a joint membership, and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. In addition, the holders of a joint membership shall be subject to the following provisions:

- (a) The vote of any of them separately or all of them jointly shall constitute one joint vote, but they shall together cast no more than one vote;
- (b) a waiver of notice signed by one or more of them shall constitute a joint waiver;
- (c) notice to any of them shall constitute notice to all;
- (d) the withdrawal or expulsion of any of them shall terminate the joint mem-

bership; and

(e) provided that all of them meet the qualifications of an officer or director of the Cooperative, one but no more than one of them may be elected or appointed to such office.

(f) An individual holder of a joint membership is not permitted to have a separate individual membership.

Section 3. Conversion of Membership. (a) A membership may be converted to a joint membership, upon the written agreement by such holder and the joint applicant or applicants to purchase electric power from the Cooperative as joint members and to comply with the Articles of Incorporation, By-laws and rules and regulations adopted by the Board of Directors. The membership certificate shall be reissued by the Cooperative in such manner as shall indicate the converted membership status.

(b) Upon the death of any person who is party to the joint membership, such membership shall be held solely by the survivor or survivors. The membership certificate shall 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.

(c) A membership may be converted from a joint membership to an individual membership upon the written or verbal request by one of the holders thereof and the agreement by such holder and the joint applicant or applicants. The membership certificate shall be reissued in such manner as shall indicate the changed membership status; provided, however, that the joint membership holders shall not be released from any debts due the Cooperative prior to the change.

(d) Unless under a court order to the contrary, upon the legal separation or divorce of the holder of a joint membership, such membership shall continue to be held solely by the one who continues to occupy or use the premises covered by such previous membership in the same manner and to the same effect as though such membership had never been joint; provided, however, that the other spouse shall not be released from any debts due the Cooperative at the time of legal separation or divorce.

Section 4. Purchase of Electric Service. Each member shall purchase from the Cooperative all electric service used on all properties referenced in such member's application for service or membership, and shall pay therefor monthly charges which shall from time to time be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric energy, service, or capacity which the Cooperative shall be required to furnish to any one member. All amounts paid by members for electric energy and service in excess of the cost of such energy and service shall constitute member capital, and each member shall be credited with the amount of the capital so furnished by such member. Each member shall pay to the Cooperative a monthly amount based upon the electric energy and service provided to the member and the Cooperative's applicable rate schedules. Each member shall also pay all amounts owed by the member to the Cooperative as and when the same shall become due and

payable.

Section 5. Grant of Easements. Each member of the Cooperative, by becoming a member and by dealing with the Cooperative, grants the Cooperative such easements upon, over or under such member's lands for purposes of erecting, maintaining, repairing and servicing all such lines, facilities, equipment and related infrastructure as may be necessary or convenient in order to provide electric service to any members. Each member agrees to execute, acknowledge and deliver to the Cooperative a Right-of-Way Easement to provide electric service to any members in such form as may from time to time be used by the Cooperative, a copy of which shall be available at the office of the Cooperative.

Each member further releases and quit claims the Cooperative, its successors or assigns and lessees of and from any and all damages, loss or injury that may be at any time caused by or result from the erecting, maintaining, repairing and servicing of the said lines, facilities, equipment and related infrastructure, the trimming, cutting down or removal of any and all trees, vegetation and other obstructions which in the judgment of the Cooperative, its successors, assigns or lessees may interfere with the erecting, maintaining, repairing and servicing of the lines facilities, equipment and related infrastructure, or menace the same, and the Cooperative's exercise of its rights to its right of way easement.

Section 6. Expulsion of Members. The Board of Directors may, by vote of not less than two thirds of the members thereof, expel any member of the Cooperative who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cooperative or these By-laws or any rules or regulations adopted from time to time by the Board of Directors. Any member so expelled may be reinstated as a member by a vote of not less than two thirds of the members of the Board of Directors at any meeting of the Board of Directors.

Section 7. Withdrawal from Membership. Any member of the Cooperative may withdraw from membership upon payment in full of all his, hers, or its debts and liabilities to the Cooperative and upon compliance with and performance of such terms and conditions as the Board of Directors may prescribe.

Section 8. Membership Non Transferable; Termination of Membership. Membership in the Cooperative and the certificate representing the same shall not be transferable. The membership of any member shall immediately terminate when, for any reason whatsoever, the member ceases to purchase electric service from the Cooperative, except when deprived of electric service due to no fault of the member; provided, however, that such termination of membership shall not release the member from the debts or liabilities of such member to the Cooperative.

Section 9. Non Liability for Corporate Debts. The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no member shall be individually responsible for any debts or liabilities of the Cooperative.

Section 10. Validity of Existing Memberships. Subject to the foregoing

provisions regarding expulsion from membership, or termination of or withdrawal from membership in the Cooperative, any membership existing prior to the current revision of these By-laws shall continue to be valid thereafter.

Section 11. Cooperative Equipment. Each member of the Cooperative, by becoming a member and by dealing with the Cooperative, agrees that the Cooperative may, in its sole discretion, select any product, equipment, structure, facility or other good (collectively, the “Cooperative Equipment”) for use in the operations of the Cooperative. The member further agrees that the Cooperative may, in its sole discretion, purchase, install, construct, inspect, monitor, operate, repair, maintain, remove, relocate, upgrade, or replace the Cooperative Equipment.

Each member of the Cooperative, by becoming a member and by dealing with the Cooperative, authorizes the Cooperative to install, operate, maintain, alter and improve automated metering equipment and infrastructure (“AMI”) on the member’s lands and property. AMI are any product, equipment, structure, facility or other good owned, controlled, operated or furnished by the Cooperative, including without limitation advanced electric meters, equipment and related infrastructure, that records energy consumption by a member and use two-way communications to transmit that information to the Cooperative. In the event that the AMI causes damage to property, injury or death to members or any other person, the member agrees that the Cooperative shall not be liable for said damage, injury or death.

The member authorizes the Cooperative’s use of AMI to measure, collect, maintain, transmit, communicate, and store the aggregate or incremental amount, quantity, or quality of electric energy used by a member, and other data or information regarding the member’s use of electric energy (collectively, “Usage Information”). The Cooperative may use, disclose, and transfer Usage Information if reasonably related to providing electric energy or if reasonably related to protecting against, or responding to, death, personal injury, or property damage. The Cooperative shall reasonably protect Usage Information.

ARTICLE II

Meetings of the Members

Section 1. Annual Meeting. The annual meeting of the members shall be held each year at such time and place within the Borough of Indiana or the Township of White in the County of Indiana as shall be designated by the Board of Directors. Notice stating the place, day and hour of such meeting and the purpose of such a meeting, when business requiring special notice is to be transacted, shall be given by the Secretary as hereinafter provided. It shall be the responsibility of the Board of Directors 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 2. Special Meetings. Special meetings of the members may be called by the Chairman, by a vote of at least five Directors at a duly noticed regular or special meeting of the Board of Directors, or upon a written request signed by at least ten percent of all the members of the Cooperative within a sixty-day period, and it shall thereupon be the duty of the Secretary of the Cooperative to cause

notice of such meeting to be given as provided in Section 3 of this Article. Special meetings of the members of the Cooperative shall be held at any place within the service area of the Cooperative as designated by a majority of the board of directors.

Section 3. Notice of Meetings. Written or printed notice of all meetings of the members shall, except as otherwise provided by statute, be delivered not less than ten days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman or the Secretary, or the officer or persons calling the meeting, to each member of the Cooperative. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope, with postage prepaid, addressed to the member at the member's address as it appears on the records of the Cooperative. The notice of the meeting shall include the time, date and place of the meeting, a statement of the number of directors to be elected, and, in the case of a special meeting, or of an annual meeting if business other than that listed in Article II, Section 8, is proposed to be conducted, a statement of the business to be conducted.

Section 4. Failure to Receive Notice. The failure of any member to receive any 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 5. Quorum. Except as otherwise required by law, not less than 75 members present shall constitute a quorum for the transaction of business at all meetings of the members.

Section 6. Voting. (a) Each member shall be entitled to one vote, and no more, upon each matter submitted to a vote at a meeting of the members. All questions for decision by the members at any meeting of the members shall be decided by a vote of a majority of the members present and voting, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these By-laws.

(b) The election of directors shall be by mail-in ballot. Election of directors shall be by district and not at large, and each member shall be entitled to cast one vote in any election for a director from the district in which the member resides. If the member's principal place of residence is not within any district, the member's voting district will be determined by the account primarily associated with the membership.

(c) Members may not vote in person for the election of directors. Elections for director shall be conducted so all ballots will be return-mailed to assure members vote only once. The counting of mailed ballots shall be conducted by an outside firm selected by the Board of Directors. The results will not be revealed publicly until announced by the Cooperative's solicitor at the annual meeting.

(d) The failure of any member to receive a mail-in ballot shall not invalidate any action taken in connection with any election of directors, or any act of the Board of Directors or the Cooperative.

(e) In the event of a tie vote, the Credentials and Election Committee shall draw lots to determine the outcome of the election.

(f) Where only one candidate for Director has been nominated and qualified

in a district, the nominating petition shall constitute a written ballot, waiver of the necessity of holding an election and consent that each member's signature shall constitute a vote for the candidate. No further action shall be necessary for the election of the qualified candidate who shall thereby be elected director.

Section 7. Proxy Voting Prohibited. A member may not vote by proxy.

Section 8. Objections or Protests to Elections. In the event a protest or objection is filed concerning any election, such protest or objection must be filed at the headquarters office located at 75 Airport Road, Indiana, Pennsylvania, or the district office located at 127 Municipal Road, Ebensburg, Pennsylvania, within three (3) business days following the adjournment of the meeting in which the election results were announced and must be accompanied by a deposit/fee in an amount determined by the Credentials and Election Committee.

Section 9. Credentials and Election Committee. At least four months before the Annual Meeting, the Board of Directors shall appoint a Credentials and Election Committee comprised of one member from each directorate district. It shall be the responsibility of the Committee to (a) elect a chairperson and secretary; (b) qualify all candidates for the Board of Directors by assuring the candidates meet the qualifications as described in the By-Laws; (c) oversee voting and the tabulation of member votes as necessary; (d) rule upon any protest or objection filed with respect to any election or to conduct affecting the results of any election; and, (e) determine the amount of the deposit/fee required in the event of an objection or protest.

Section 10. 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:

- (a) Determination of a quorum.
- (b) Reading of the notice of the meeting, together with proof of the due publication or mailing thereof, or of the waiver or waivers of notice of the meeting.
- (c) Presentation and reading of the unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (d) Announcement of the results of the mailed-in balloting.
- (e) Presentations and reports of officers.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

Notwithstanding the foregoing, the Board of Directors may from time to time establish a different order of business at the annual meeting.

Section 11. Manner of Acting. All meetings of the members shall be conducted, insofar as is appropriate, in accordance with Robert's Rules of Order

Newly Revised, except as otherwise provided by law or by the Cooperative's Articles of Incorporation, as amended, the official Policies of the Cooperative's Board of Directors, or these Bylaws.

ARTICLE III

Directors

Section 1. General Powers. The business and affairs of the Cooperative shall be managed under the direction of a Board of nine directors which shall exercise all the authority of the Cooperative except such as is by law, the Cooperative's Articles of Incorporation, or these By-laws conferred upon or reserved to the members.

Section 2. (a) Qualifications and Tenure. At each annual meeting of the members, directors shall be elected by and from the members of the Cooperative to serve until the expiration of their respective terms, or until their successors shall have been qualified and elected, subject to the provisions of 12 of Article III. Directors shall be elected to staggered four-year terms. No member shall be eligible to become or remain a director who:

- (i) shall have ceased to be a member of the Cooperative;
- (ii) is in any way employed by or financially interested in any business or enterprise which is in competition with any business or enterprise of the Cooperative; provided that this provision shall not apply to any member of the Board of Directors who is in office as of the date of adoption of these revised By-laws, and that ownership of less than one percent of the outstanding stock of a publicly traded corporation shall not constitute such a prohibited financial interest;
- (iii) is or was an employee of the Cooperative or any of its subsidiaries, or any other electric cooperative or association; or is a close relative of a director or employee of the Cooperative; or
- (iv) has not received electric service and all electric energy from the Cooperative at such member's primary residence for a minimum period of one continuous year immediately preceding election; or
- (v) has not paid any balance due the Cooperative, or its subsidiary, within 90 days after billing during the previous one-year period; or
- (vi) has been convicted of theft of services from the Cooperative; or
- (vii) has not submitted a written application for membership in the Cooperative bearing his or her signature for their primary residence; or
- (viii) is not at least eighteen (18) years of age;
- (ix) has been convicted of, or pled guilty to, a felony or a crime of moral turpitude;
- (x) has not obtained and maintained the following, or its equivalent should a certification no longer be available, within the time specified, unless excused by the Board upon a two-thirds ($\frac{2}{3}$) majority vote and for good cause shown:

(a) By the end of the director's first duly elected four year term, a Credentialed Cooperative Director certificate from the National Rural Elec-

tric Cooperative Association (“NRECA”);

(b) by the end of the director’s second consecutive duly elected four-year term, a Board Leadership Certificate from the NRECA; and

(c) by the end of the director’s third consecutive duly elected four-year term and thereafter, the Director Gold certificate from the NRECA.

provided, that directors elected to the Board as of the adoption of this section shall be grandfathered so as to require said director to comply with these requirements, but with the applicable time limits beginning to run at the start of his next re-election.

(xi) fails to execute REA’s Oath of Office within 60 days of his or her election to the Board, or acts contrary to the terms and standards set forth in the Oath of Office;

provided, however, that nothing contained in this section shall affect in any manner the validity of any action taken at any meeting of the Board of Directors.

As used in this section, the term “close relative” means a person who, by blood or marriage, including in-laws, step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the principal.

Section 2. (b) Directorate Districts. The territory served or to be served by the Cooperative shall be divided into nine directorate districts. Each district shall be represented by one Board member who shall be a resident member of the Cooperative in such district. Each district shall consist of the townships and boroughs as follows:

District 1

Armstrong County	Cowanshannock Township
Indiana County	Creekside Borough
Indiana County	East Mahoning Township
Indiana County	North Mahoning Township
Indiana County	South Mahoning Township
Indiana County	Washington Township
Indiana County	West Mahoning Township
Jefferson County	Bell Township
Jefferson County	Gaskill Township
Jefferson County	Perry Township
Jefferson County	Young Township

District 2

Blair County	Allegheny Township
Blair County	Juniata Township
Blair County	Logan Township
Cambria County	Adams Township

Cambria County
Cambria County

Allegheny Township
Conemaugh Township
Cresson Township
Croyle Township
East Taylor Township
Gallitzin Township
Middle Taylor Township
Portage Township
Richland Township
Summerhill Township
Washington Township
West Taylor Township

District 3

Armstrong County
Armstrong County
Armstrong County
Indiana County
Indiana County
Indiana County
Indiana County
Westmoreland County
Westmoreland County

Plumcreek Township
Kiskiminetas Township
South Bend Township
Blacklick Township
Burrell Township
Conemaugh Township
Young Township
Derry Township
Loyalhanna Township

District 4

Cambria County
Cambria County
Cambria County
Indiana County
Indiana County

Cambria Township
Jackson Township
Munster Township
East Wheatfield Township
West Wheatfield Township

District 5

Indiana County
Indiana County
Indiana County

Cherryhill Township
Pine Township
Rayne Township

District 6

Cambria County
Cambria County
Cambria County
Indiana County
Indiana County

Chest Township
Elder Township
Susquehanna Township
Banks Township
Canoe Township

Indiana County	Grant Township
Indiana County	Green Township
Indiana County	Montgomery Township

District 7

Indiana County	White Township
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District 8

Cambria County	Barr Township
Cambria County	Blacklick Township
Cambria County	Clearfield Township
Cambria County	Dean Township
Cambria County	East Carroll Township
Cambria County	West Carroll Township
Cambria County	White Township
Clearfield County	Beccaria Township

District 9

Indiana County	Armstrong Township
Indiana County	Brush Valley Township
Indiana County	Buffington Township
Indiana County	Center Township

Section 3. Nominations. The directors of the Cooperative shall be nominated by written petition in a form provided by the Cooperative, bearing the signatures of any 15 or more members residing in the electing district. All such petitions shall state the residence and directorate district of the nominee, and shall be filed no sooner than 180 days and no later than 3:00 p.m., local time, of the day which is 90 days prior to the date of a meeting at which directors are to be elected. The secretary, or secretary’s delegate, shall promptly post the same at the principal office of the Cooperative. The random selection of ballot position shall be performed by the Cooperative’s solicitor, or by a member of his or her law firm, at the office of the Cooperative at 3:30 p.m., local time, of the day which is two business days after 90 days prior to the meeting. Each nominee shall be entitled to attend the selection of ballot position. The provisions of this section shall be exclusive, except in the case of a recall of one or more directors as provided in Article III, Section 12 of these By-laws.

Section 4. Vacancies. In the event of a vacancy occurring on the Board of Directors prior to the expiration of a director’s term, the Board of Directors, by a vote of at least two-thirds of the directors, may elect an individual from the district in which the vacancy occurred to serve until the next annual election of directors. Should an individual be elected by the Board of Directors after the annual filing date for petitions, the elected director shall serve until the following year’s election of directors.

Section 5. Compensation. Directors as such shall not receive any salary for their services, but by resolution of the Board of Directors, may receive a fixed sum and expenses for attendance at each meeting of the Board of Directors, and for Cooperative business such as attendance at meetings, conferences and training programs, and committee and special assignments and any other compensation authorized by resolution of the Board.

Section 6. 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 under Subchapter B of Chapter 57, Title 15, of the Pennsylvania Consolidated Statutes; and
- (b) the breach or failure to perform constitutes self dealing, willful misconduct or recklessness.

This section shall not apply to the responsibility or liability of a director pursuant to any criminal statute or to the liability of a director for payment of taxes pursuant to local, state or federal law.

Section 7. Indemnification. (a) Subject to the limitations hereinafter set forth, the Cooperative shall have power to indemnify any director, officer, employee or agent of the Cooperative 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, whether formal or informal, and whether brought by or in the right of the Cooperative or otherwise, by reason of the fact that he was a director, officer, employee or agent of the Cooperative, to the fullest extent permitted by law, including without limitation indemnification against expenses (including attorneys' fees and disbursement), damages, punitive damages, judgments, penalties, fines and amounts paid in settlement incurred by such person in connection with such proceeding. Such indemnification shall not impair any other right any such person may have.

- (b) Such indemnification may be made only as authorized in the specific case upon a determination
 - (i) that the director, officer, employee or agent acted or failed to act in good faith, and in a manner he 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 conduct was unlawful;
 - (ii) that the amount of the proposed indemnification is reasonable, and
 - (iii) that the proposed indemnification is just and proper and can be legally made by the Cooperative under then existing law; provided, however, that the indemnification provided for herein shall not be available if the act or failure to act giving rise to the claim for indemnification has been determined by a court to have constituted willful misconduct or recklessness.

(c) Such determination shall be made

- (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding; or
- (ii) if such a quorum is not obtainable, or even if obtainable, where a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding so directs, by independent legal counsel in a written opinion; or
- (iii) by the members of the Cooperative.

Section 8. 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 shall be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person, together with such security for the undertaking as shall reasonably be deemed adequate by the members of the Board of Directors not involved in the claim or proceeding, to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Cooperative.

Section 9. Insurance or Indemnification Fund. Insurance or Indemnification Fund. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the Cooperative may maintain insurance, obtain a letter of credit, act as self insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the Board of Directors shall deem appropriate.

Section 10. Non exclusivity. The provisions of paragraphs 6 through 9, inclusive, of this Article III shall not be deemed exclusive of any other rights to which any person seeking indemnification or advancement of expenses may be entitled under any statute, by law, agreement, vote of members or directors or otherwise, both as to action in his individual capacity and as to action in another capacity while holding that office. The indemnification and advancement of expenses provided by, or granted pursuant to, paragraphs 6 through 9, inclusive, of this Article III shall continue as to a person who has ceased to be a director, officer, employee or agent in respect of matters arising prior to such time, and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 11. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with the Articles of Incorporation or the By-laws of the Cooperative or the laws of the Commonwealth of Pennsylvania, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

Section 12. Removal of Directors. (a) Any director may bring charges against a director by filing them in writing with the Secretary of the Cooperative requesting removal of the director in question. The director against whom charges have been brought shall be informed in writing of the charges within five days of receipt of the charges by the Secretary and shall have an opportunity to be heard

in person or by counsel and to present witnesses at a special meeting of the Board of Directors held no sooner than 30 days and no later than 60 days after receipt of the charges by the Secretary of the Cooperative. The director or directors bringing charges shall have the same opportunity. The date of the special meeting shall be chosen by mutual agreement of the board and the charged director or, if they cannot agree, by the Secretary of the Cooperative. The removal shall be voted upon at the next regular or special meeting of the directors following the special meeting and, by a vote of at least two-thirds of the Board of Directors, the director may be removed and the vacancy may be filled by the directors.

(b) A director shall be removed from the Board of Directors, upon the vote of two-thirds of the Directors, if:

- (i) He shall be absent, without being excused by the Board of Directors, from four (4) consecutive regularly scheduled monthly meetings of the Board of Directors;
- (ii) He is declared of unsound mind by an Order of Court or is convicted of, or pled guilty to, a felony or a crime of moral turpitude;
- (iii) Within 60 days after his election as a Director, he does not accept such office either in writing or by attending a meeting of the Board of Directors; or
- (iv) He fails to fulfill such requirements of qualification as the By-Laws of the Cooperative may specify.

Section 13. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to 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. All accounts of the Cooperative shall be examined by the President and CEO of the Cooperative, who shall render monthly reports regarding the same to the Board of Directors at the regular meetings of the Board of Directors. The Board of Directors shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial conditions of the Cooperative as of the end of such fiscal year. A summary of such audit shall be submitted to the members at the following annual meeting.

Section 14. Change in Rates. Written notice shall be given to the Administrator of the Rural Utilities Services not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

ARTICLE IV **Meetings of Directors**

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this By Law immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly and at such time and place in the Borough

of Indiana or Township of White, in the County of Indiana and Commonwealth of Pennsylvania, as the Board may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman or any two directors.

Section 3. Notice. The person calling the special meeting shall make a diligent and good-faith effort to provide notice of the time, place and purpose of the meeting to each director at least two (2) days previous thereto by means reasonably calculated to provide such notice, including without limitation personal delivery, United States mail, e-mail, facsimile transmission, telephone or cell phone. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. Quorum. A majority of the full Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors; provided that if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 5. Manner of Acting. The act of the majority of the full board of directors at a regular or special meeting shall be the act of the Board of Directors. The meetings of the Board of Directors shall be conducted, insofar as is appropriate, in accordance with Robert's Rules of Order Newly Revised.

ARTICLE V **Officers**

Section 1. Number. The officers of the Cooperative shall be a chairman, a vice chairman, a secretary and a treasurer. The office of secretary and of treasurer may be held by the same person.

Section 2. Election and Term of Office. The officers of the Cooperative shall be nominated by any Director publicly nominating himself or herself for an officer position, and thereafter elected by secret written ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members by a majority vote. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Subject to the provisions of Article III, Section 12 and Article V, Section 3 of these By-laws, each officer shall hold office until the first meeting of the Board of Directors following the next annual meeting of the members or until his or her successor shall have been duly elected.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors by a majority vote whenever in its judgment the best interest of the Cooperative would be served thereby.

Section 4. Vacancies. Subject to the provisions of Article III, Section 12 of these By-laws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term by a majority vote.

Section 5. Chairman. The Chairman:

- (a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the Board of Directors;
- (b) shall sign, with the Secretary, certificates of membership of the Cooperative, and may sign any deeds, mortgages, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-laws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general shall perform all duties incident to the office of chairman and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice Chairman. In the absence of the Chairman, or in the event of his inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman, and when so acting, shall have all the powers of and be subject to all the restrictions upon the chairman and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 7. Secretary. The Secretary shall:

- (a) review the minutes of the meetings of the members and of the Board of Directors as prepared by the Executive Assistant and sign the official copy as accepted by the Board of Directors;
- (b) be responsible for seeing that all notices are duly given in accordance with these By-laws or as required by law;
- (c) oversee the safekeeping of the corporate records and the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issuance 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 these By-laws;
- (d) oversee Cooperative membership lists and records;
- (e) sign with the Chairman certificates of membership of the Cooperative, the issuance of which shall have been authorized by resolution of the Board of Directors;
- (f) keep on file at all times a complete copy of the By-laws 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 forward a copy of the By-laws and of all amendments thereto to all new members and to any other member upon request; and
- (g) in general perform all duties incident to the office of Secretary and such

other duties as from time to time may be assigned to him or her by the Board of Directors. In the absence of the Chairman and the Vice Chairman, the Secretary shall preside at meetings of the Board of Directors.

Section 8. Treasurer. The Treasurer shall:

- (a) oversee the disposition of all funds and securities of the Cooperative;
- (b) oversee 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 these By-laws; and
- (c) in general, perform all the duties incident to the office of the Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors.

Section 9. Delegation of Secretary's and Treasurer's Responsibilities.

Notwithstanding the duties, responsibilities, and authorities of the Secretary and Treasurer provided in Article V, Sections 7 and 8, the Board by resolution, may delegate, wholly or in part, except as otherwise limited by law, the responsibility and authority for, and the regular and routine administration of, one or more of such officer' duties to one or more agents or other officers of the Cooperative who are not directors. To the extent that the Board does so delegate with respect to either such officer, that officer as such shall be released from such duties, responsibilities and authorities.

Section 10. Management. The Board of Directors may appoint a President and CEO, who may be, but shall not be required to be, a member of the Cooperative. The President and CEO, shall perform such duties as the Board of Directors may from time to time require of him or her and shall have such authority as the Board of Directors may from time to time vest in him or her. The Board of Directors may hire an individual for the position of President and CEO, or terminate the employment of an individual employed as the President and CEO, upon a vote of two-thirds of the Directors.

Section 11. Determination of Compensation Plan. The compensation plan, if any, of all officers, agents, and employees of the Cooperative shall be determined by the Board of Directors.

Section 12. Reports. The officers of the Cooperative shall submit, or cause to be submitted, at each annual meeting of the members, reports covering the business of the Cooperative during the preceding fiscal year.

ARTICLE VI

Contracts, Checks and Deposits

Section 1. Contracts. Except as limited elsewhere by these By-laws, the Board of Directors may authorize any officer or agent 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 or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 3. Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative, in such bank or banks as the Board of Directors may select.

ARTICLE VII

Membership Certificates

Section 1. Certificates of Membership. Membership in the Cooperative shall be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of the Cooperative or these By-laws. Such certificates shall be signed by the Chairman and by the Secretary of the Cooperative and shall be sealed with its corporate seal.

Section 2. Issuance of Membership Certificates. No membership certificates shall be issued for less than the membership fee, if any, fixed in Section 1 of Article I of these By Laws, nor until such membership fee has been fully paid for in cash, and such payments have been deposited with the Treasurer of the Cooperative.

Section 3. Lost or Mutilated Membership Certificates. If a membership certificate is lost, destroyed or mutilated, a new certificate may be issued therefore upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

ARTICLE VIII

Non Profit Operation

Section 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Electric Energy and Service. Patronage Capital in Connection with Furnishing Electric Energy and Service. In the furnishing of electric energy and 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 energy and service. ALL SUCH AMOUNTS IN EXCESS OF OPERATING COSTS AND EXPENSES AT THE MOMENT OF RECEIPT BY THE COOPERATIVE ARE RECEIVED WITH THE UNDERSTANDING THAT THEY ARE FURNISHED BY THE PATRONS AS 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 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.

In the event of the dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be returned without priority on a prorata basis before any payments are made on account or property rights of patrons. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative shall not be impaired thereby, the capital then credited to patrons' accounts may be returned in full or in part. Any such retirements of capital may be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being the first retired; or the Board of Directors may, at its discretion, retire capital credits on a percentage basis. In the event that such percentage basis is used, the Board shall determine the percentage of total capital credits to be retired without impairment to the financial condition of the Cooperative, and this same percentage figure shall then be applied to the balance of accumulated capital credits of each patron or former patron and the resulting amount shall then be paid to each former patron. At the discretion of the Board of Directors, the capital credits of any discontinued or former patron who has moved off the line, may be retired in any one year to all patrons, past or present, or regardless of the oldest year received in case that retirement plan is being used; provided, however, that as to any patron permanently discontinuing service from the Cooperative after the year 1961, the Board of Directors, at its option, may pay the full amount of said capital credits if said amount does not exceed an amount to be fixed from time to time by the Board of Directors; and providing further, that no payments to existing members shall be made where the amount of capital credits is less than \$25. Provided, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion of capital credited to the accounts of the Cooperative capital by a corporation or other organization of which REA Energy Cooperative, Inc. is now a member, patron or affiliate.

Such rules shall:

- (a) establish a method for determining the capital credited to each patron for each applicable fiscal year,
- (b) provide for separate identification on the Cooperative's books of the capital credited to the Cooperative's patrons,
- (c) provide for appropriate notifications to patrons with respect to the capital credited to their accounts, and
- (d) preclude a general retirement of the capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to the patrons for the same year or of any capital credited to patrons for any prior fiscal year.

Capital credited to the account of each patron shall be assigned 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 part of such patron's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.

THE PATRONS OF THE COOPERATIVE, BY DEALING WITH THE COOPERATIVE, ACKNOWLEDGE THAT THE TERMS AND PROVISIONS OF THE ARTICLES OF INCORPORATION AND BY LAWS SHALL CONSTITUTE AND BE A CONTRACT BETWEEN THE COOPERATIVE AND EACH PATRON, AND BOTH THE COOPERATIVE AND THE PATRONS ARE BOUND BY SUCH CONTRACTS, AS FULLY AS THOUGH EACH PATRON HAD INDIVIDUALLY SIGNED A SEPARATE INSTRUMENT CONTAINING SUCH TERMS AND PROVISIONS, THE PROVISIONS OF THIS ARTICLE OF THE BY LAWS SHALL BE CALLED TO THE ATTENTION OF EACH PATRON OF THE COOPERATIVE BY POSTING IN A CONSPICUOUS PLACE IN THE COOPERATIVE'S OFFICE.

Section 3. Patronage Refunds in Connection with Furnishing Other Services. In the event that the Cooperative should engage in the business of furnishing goods and services other than electric energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishings of such goods or service shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons from whom such amounts were obtained.

ARTICLE IX

Major Expenditures and Purchases

Whenever the cooperative makes or allocates for a purchase or expenditure, individually or in the aggregate, more than 20% of the average prior three (3) years audited gross revenue, an affirmative vote of a 2/3 majority is required prior to said purchase or expenditure.

ARTICLE X

Waiver of Notice

Whenever any notice is required to be given by law, the Articles of Incorporation of the Cooperative, or these By-laws, waiver thereof in writing, signed by the person or persons entitled to such notice, shall be deemed equivalent to the giving of such notice.

ARTICLE XI

Disposition of Cooperative Assets

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 of all the members of the Cooperative.

The plan of asset transfer shall set forth the terms and conditions of the sale, lease, exchange or other disposition or may authorize the Board of Directors to fix any or all of the terms and conditions, including the consideration to be received by the Cooperative therefor.

Prior to submission for consideration by the members of the Cooperative, the

Board of Directors of the Cooperative shall first give all other domestic electric cooperative corporations an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such corporations, which notice shall be attached to a copy of the proposal which the Cooperative has already received. Such corporations shall be given not less than 30 days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

Within 30 days after expiration of the notice period set by the Board of Directors under paragraph (2), written notice of the special meeting to consider and take action on the plan of asset transfer and expressing in detail each of the proposals shall be given to each member of the Cooperative. The special meeting shall not be held sooner than 30 days after the giving of such notice to the members.

After a plan of asset transfer has been authorized by the members, the Board of Directors, in its discretion, may abandon the sale, lease, lease sale, exchange or other disposition, subject to the rights of third parties under any contracts relating thereto, without further action or approval by the members.

ARTICLE XII

Fiscal Year

The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the thirty first day of December in the same year.

ARTICLE XIII

Seal

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Pennsylvania, 1937."

ARTICLE XIV

Rules of Construction

As used in these By-laws, the singular shall include the plural, and the masculine shall include all genders. If any term or provision of these By-laws shall be held to be invalid or unenforceable, it shall not affect the validity or enforceability of any other term or provision of these By-laws. These By-laws shall be construed and interpreted in accordance with the laws of the Commonwealth of Pennsylvania.

ARTICLE XV

Amendments

These By-laws may be altered, amended or repealed by the affirmative vote of two-thirds of the total number of directors on the Board of Directors of the Cooperative. Such a vote may be taken at any duly called and noticed regular or special meeting of the Board of Directors of the Cooperative, provided that the notice of such meeting shall contain a copy of the proposed alteration, amendment or repeal.