

Bylaws

of

Tri-County Rural Electric Cooperative, Inc.

RUS Pennsylvania 13 - Tioga
Mansfield, Pennsylvania 16933

As amended, November 2007
Effective November 20, 2007
Last printing January 2008

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BYLAWS
OF
TRI-COUNTY RURAL ELECTRIC COOPERATIVE, INC.

The aim of Tri-County Rural Electric Cooperative, Inc., (hereinafter called the “Cooperative”) is to make reliable electric energy and related services available to our members at the lowest cost consistent with sound economics and good management.

ARTICLE I

MEMBERSHIP

Section 1.01. REQUIREMENTS FOR MEMBERSHIP. Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of Tri-County Rural Electric Cooperative, Inc. (hereinafter called the “Cooperative”) upon receipt of electric service from the Cooperative, provided that he or it has first:

- a) Made a written application for Membership therein;
- b) Agreed to purchase from the Cooperative electric service as hereinafter specified;
- c) Agreed to comply with, be bound by the Articles of Incorporation and Bylaws of the Cooperative, any rules and regulations adopted by the Board; and

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

Section 1.02. MEMBERSHIP CERTIFICATES. Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board. Such certificate shall be signed by the Chairman and by the Secretary of the Cooperative and the corporate

seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board may prescribe.

Section 1.03. JOINT MEMBERSHIP. A husband and wife or two adults may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term “member” as used in these Bylaws shall be deemed to include a husband and wife or two adults holding 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. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in the respect of the holders of a joint membership shall be as follows:

- a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- b) The vote, either separately or jointly, shall constitute one joint vote, provided that if they are in disagreement as to a vote, whether present in person or by proxy, each shall have one half vote only. Upon the death of either spouse or adult of a joint membership, such membership shall continue to be held solely by the survivor, and in the same manner and to the same effect as though such membership had never been joint; provided that the estate of the deceased shall not be released from any debts due the Cooperative. Upon the legal separation, divorce or dissolution of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership, in the same manner

and to the same effect as though such membership had never been joint, provided that the spouse or adult shall not be released from any debts due the Cooperative;

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

Section 1.04. CONVERSION OF MEMBERSHIP.

- a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and spouse or adult to comply with the Articles of Incorporation, Bylaws, rules and regulations adopted by the Board. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such a manner as shall indicate the changed membership status.
- b) Upon the death of either spouse or adult who is a party to the joint membership, such membership obligations shall be held solely by the survivor.

Section 1.05. PURCHASE OF ELECTRIC ENERGY. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative or an alternate energy supplier chosen by the member all electric energy used on the premises specified in his application for membership, and shall pay therefore at the rates established from time to time by the Board of the Cooperative or by the alternate energy supplier and in addition, each member shall

pay all fees, rates and charges as shall be established from time to time by the Board of the Cooperative for all electric service provided by the Cooperative to the member, other than the rates for electric energy. It is expressly understood that amounts paid for electric energy supplied by the Cooperative and for electric service provided by the Cooperative are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the Cooperative for electric service such minimal amount regardless of the amount of electric energy consumed as shall be fixed by the Board of the Cooperative. Each member shall also pay all amounts owed by him to the Cooperative, if and when the same shall become due and payable.

Section 1.06. GRANTS OF EASEMENT. Each member shall execute and deliver to the Cooperative grants of easement or right-of-way on/or over such lands owned by the member, and in accordance with such reasonable terms and conditions as the Cooperative shall require for the furnishing of electric service to him or any other member or for the construction, operation and maintenance, or the relocation of the Cooperative's facilities.

Section 1.07. WIRING. Each member shall cause all premises covered by his membership to become and remain wired in accordance with the specifications approved by the Pennsylvania Fire Insurance Underwriters Association and by the Cooperative. Each member shall be responsible for and shall indemnify the Cooperative or any other person against injury, loss or damage resulting from defect in or improper use or maintenance of the member's premises, wiring and any apparatus connected thereto. In no event shall the responsibility of the Cooperative extend beyond the point at which its service wires are attached to the meter loop provided for measuring electricity on the member's premises.

Section 1.08. CONTINUITY OF SERVICE.

- a) The Cooperative will use reasonable diligence to maintain uninterrupted service but does not guarantee a constant or regular supply of electrical energy and shall not be liable for damages due to variations or cessations in such supply. Member should give immediate notice at the office of the Cooperative of any interruptions or irregularities in service or any known trouble, defect or accident to the supply.
- b) The Cooperative may interrupt service to any member or members for the protection of life or property, for making repairs, changes or improvements in any part of its system for the general good of the service or safety of the public, or when in the Cooperative's sole judgment such interruption will prevent or alleviate an emergency threatening the integrity of its system, or will aid in the restoration of service. Circumstances permitting, the Cooperative will give reasonable notice of any contemplated suspension.
- c) The Cooperative shall not be liable for damages, direct or consequential, resulting from interruption of service for any of the above reasons nor if service shall fail by reason of accident, strike, legal process, governmental interference, or any cause whatsoever beyond its control.

Section 1.09. TERMINATION OF MEMBERSHIP BY WITHDRAWAL.
A member shall withdraw from membership upon either

- a) Ceasing to (or with the approval of the Board resigning his membership in favor of another person who shall) directly occupy or use all premises; or
- b) Abandoning totally the use of central station electric on all such premises, provided that no temporary such abandonment shall relieve the member of obligation specified in Section 6 of this Article I. The Board may, by the affirmative vote of not less than two-thirds of all members of the Board, expel any member who fails to comply with any of the provisions

of the Articles of Incorporation, Bylaws or rules or regulations adopted by the Board but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting. The membership of a member, who for a period of six (6) months after service is available to him has not purchased electric energy from the Cooperative, may be canceled by resolution of the Board.

Section 1.10. TERMINATION BY DEATH OR CESSATION OF EXISTENCE; CONTINUATION IN REMAINING PARTNER OR MEMBER. Except as provided in Section 10 of this Article I the death of an individual human member shall automatically terminate his membership. The cessation of the legal existence of any type of member shall automatically terminate such membership; provided that upon the dissolution for any reason of a partnership and unincorporated associations such membership shall continue to be held solely by such remaining partner or partners, member or members as were parties to the original membership and continue directly to occupy or use the premises covered by such membership.

Section 1.11. EFFECT OF TERMINATION.

- a) Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- b) Upon the termination in any manner of a person's membership, he shall be entitled to a refund of any membership fee paid less any amount due the Cooperative.

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

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

- a) All debts and liabilities of the Cooperative shall have been paid, and
- b) All capital furnished through patronage shall have been retired as provided in these Bylaws. 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. This shall be done during the ten (10) years next preceding the date of the filing of the certificate of dissolution, or, if the Cooperative shall not have been in existence for such period, during the period of its existence.

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

ARTICLE III

MEETINGS OF MEMBERS

Section 3.01. ANNUAL MEETING. The annual meeting shall be held during the month of July or August of each year. The annual meeting shall be held at such place within a county served by the Cooperative as selected by the Board. It shall be designated in the notice of the meeting, 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. It shall be the responsibility of the Board to make adequate plans and

preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

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

Section 3.03. NOTICE OF MEMBERS' MEETINGS. Written or printed notice stating the place, day and hour of the meeting and in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than forty-five (45) days before the date of the meeting either personally or by mail, or at the direction of the Secretary or upon a default in duty of 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 in a sealed envelope addressed to the member at this address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any official action thereafter taken by the Board of Directors.

Section 3.04. QUORUM. As long as the total number of members does not exceed one thousand (1,000) at least fifteen per centum (15%) of the total number present in person or represented by proxy shall constitute quorum for the transaction of business at all meetings of the members, provided at least five per centum (5%) of the total number of members are present in person. In case the total number of members shall exceed one thousand (1,000) then at least one hundred fifty (150) of the members present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members. If less than a quorum is present at any meeting, a majority of those present in person or represented by proxy may adjourn the meeting from time to time without further notice.

Section 3.05. VOTING. Each member who is not in a status of suspension, as provided for in Section 10 of Article I, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members, except that a member shall not have a vote in the election of directors from a district in which he is not a member. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote.

At all meetings 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 or by the Cooperative's Articles of Incorporation or these Bylaws. Members may not cumulate their votes.

In the election of directors, members may vote by mail ballot, unless they are present in person in which case they may vote in person if they have not already voted by mail ballot, PROVIDED, members may not vote by mail ballot when such an election occurs because of the removal of a director pursuant to Article IV, Section 6, in which case the vote shall be conducted pursuant to that section.

If so authorized by the Board, members may vote by mail ballot on other matters, in accordance with the procedures and conditions established by the Board. All mail balloting shall be conducted so that the ballots will be returned to the Election and Credentials Committee and so handled that, although the identity of the members so voting may be determined, how such members actually cast their mail ballots may not. If a member votes by mail ballot with respect to a matter, he shall not be permitted to vote in person on that matter at the meeting. "Mail Ballots" shall include not only ballots that are returned by mail but also any ballots that are otherwise delivered to the Cooperative's Election and Credentials Committee.

Section 3.06. 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:

- a) Report on the number of members present in person in order to determine the existence of a quorum;
- b) Reading of the notice of the meeting and proof of the due publication or mailing thereof or the waiver or waivers of notice of the meeting, as the case may be;
- c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- d) Presentation and consideration of reports of officers, trustees and committees;
- e) Election of Board members;
- f) Unfinished business;
- g) New business;
- h) Adjournment.

ARTICLE IV

BOARD MEMBERS

Section 4.01. GENERAL POWERS. The business and affairs of the Cooperative shall be managed by a Board of not less than nine (9) nor more than fourteen (14) members which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved for the members.

Section 4.02. ELECTION AND TENURE OF OFFICE. Except as provided in Section 6 of Article IV, each director shall be elected by only those members residing in or, in the case of non-natural person members, being located in the district which he shall represent. The directors shall each be elected for a three-year term to fill vacancies caused by the expiration of the incumbent's term of office. The directors representing District 1, 4 and 7 shall be elected in 1991 to serve until the annual meeting to be held in the year 1994 or until their successors shall have been elected or shall have qualified. The Board members representing Districts 2, 6 and 8 shall be elected in 1992 to serve until the annual meeting to be held in the year of 1995, or until their successors shall have been elected or shall have qualified. The Board members representing Districts 3, 5 and 9 shall be elected in 1993 to serve until the annual meeting held in the year 1996, or until their successors shall have been elected or shall have qualified. If an election of Board members shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing Board members within a reasonable time thereafter. Board members may be elected by a plurality vote of the members. In the event of a tie vote in the election of directors, such tie vote will be resolved by drawing lots.

Section 4.03. QUALIFICATIONS. No person shall be eligible to become or remain a Board member of the Cooperative who:

- a) Shall not receive electrical service from the Cooperative at his principal residential abode;
- b) Is not a member and bona fide resident of the particular district which he is to represent;
- c) Is not a member in good standing. Good standing shall include, but not be limited to: all accounts being paid current, not engaged in litigation against the Cooperative, completion of an Oath of Office, and agreement to comply with all Cooperative bylaws and policies;
- d) Is employed by the Cooperative, or becomes employed by the Cooperative, or shall have been employed by the Cooperative within three (3) years of the last date fixed for filing of nomination petitions for directors under section 4.04 of the bylaws or is in any way employed by or financially interested in a competing enterprise or a business selling electrical 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;
- e) Has been removed (other than by election process) in the past by the membership or the board.

Upon establishment of the fact that a Board member is holding the office in violation of any of the foregoing provisions, the Board shall remove such Board member from office. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board unless such action is taken with respect to a matter in which one or more of the directors have an interest adverse to that of the Cooperative.

Section 4.04. NOMINATIONS. Any fifteen (15) or more members in a district in which the election of a director is scheduled to take

place at the next meeting of members and acting together over their signatures, not less than ninety (90) days prior to a meeting of the members at which the election of directors shall take place, may make a nomination by a petition provided by the Cooperative in a format approved by the Board of Directors, of a person residing within their district listing separately the nominee, the district for which he is nominated, and the regular three-year term or unexpired term, if any, for which he is nominated, and the Secretary shall post such nominations at all business offices of the Cooperative. The Board shall cause to be mailed to all the members of each district in which an election of a director is scheduled to take place at the next meeting of the members, with the notice of the meeting, or separately, but at least thirty (30) days prior to the date of the meeting, a statement of the persons nominated for director from such district, their addresses, and the term for which nominated. In the event no person is nominated for director in a district in which the election of a director is scheduled to take place at a meeting of the members or in the event those persons so nominated, at the time of the meeting of the members have died, removed themselves from the district from which they have been nominated or for other good cause will be unable to serve as a director if elected, the chairman at such meeting shall call for nominations from the floor for such district, which nominations may be made by any member of the Cooperative, and nominations shall not be closed until at least one (1) minute has passed during which no additional nominations have been made. Any member of the Cooperative shall be permitted to vote for directors nominated from the floor.

Section 4.05. DISTRICTS. The territories served, or to be served by the Cooperative shall be divided into nine (9) districts, each of which shall contain, as nearly as possible, the same numbers of members. Each district shall consist of the following townships and boroughs and shall be designated as follows:

DISTRICT 1: Grove, Liberty, Lumber, Norwich, East Fork, Homer, Keating, Portage, Summit, Sylvania and Wharton;

DISTRICT 2: Hector, Pike, Ulysses, Allegany, Sweden, Hebron, Eulalia, Clara, Pleasant Valley and Roulette;

DISTRICT 3: Harrison, Bingham, Genesee, Oswayo, Sharon, Westfield, Brookfield and Ceres;

DISTRICT 4: Chatham, Deerfield, Farmington, Middlebury, Nelson, Osceola, Shippen, Clymer and Gaines;

DISTRICT 5: Wells, Jackson, Lawrence, Richmond, Rutland and Tioga;

DISTRICT 6: Armenia, Columbia, Granville, Troy, Springfield, West Burlington, Sullivan and Ward;

DISTRICT 7: Athens, Ridgebury, South Creek, Smithfield and Ulster;

DISTRICT 8: Brown, Cogan House, Cummings, McHenry, Pine, Lewis, McIntyre, Liberty, Morris, Union and Jackson;

DISTRICT 9: East Keating, Leidy, Abbott, Stewardson, West Branch and Elk.

Section 4.06. REMOVAL OF BOARD MEMBER BY MEMBERS. 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 (10%) of the members or three hundred (300) whichever is the lesser, may request the removal of such Board member by reason thereof. Such Board member shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members 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, and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such Board member shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by a vote of the members at such meeting with respect to nominations.

Section 4.07. VACANCIES. Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Board members by the members, a vacancy occurring on the Board shall be filled by the affirmative vote of a majority of the remaining Board members for the unexpired portion of the term.

Section 4.08. COMPENSATION. Board members shall not receive any salary for their services as such, except that the Board of Directors may by resolution authorize a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, Board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No Board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a Board member receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the Board member or his close relative shall have been certified by the Board as an emergency measure.

Section 4.09. ELECTION AND CREDENTIALS COMMITTEE. The Board of Directors shall, at least one-hundred twenty (120) days before any meeting of the members, appoint an Election and Credentials Committee consisting of an uneven number of members, not less than five (5) nor more than fifteen (15), who are not close relatives or members of the same household of existing directors or known candidates for directors to be elected at such meeting. In appointing the Committee, the Board shall have regard for equitable representation of the several districts served by the Cooperative. The Committee shall elect its own Chairperson and Secretary prior to the member meeting. It shall be the responsibility of the

Committee to ensure that a candidate that is to become a director of the cooperative shall meet the qualifications required by the bylaws and policies of the cooperative, and to establish or approve the manner of conducting member registration and any ballot voting, to pass upon all questions that may arise with respect to any election or in any other ballot vote taken, to rule upon the effect of any ballots irregularly or indecisively marked, and to pass upon any protest or objection filed with respect to any election or to any conduct affecting the results of any election. In the event a protest or objection is filed concerning any election, such protest or objection must be filed within three (3) business days following the adjournment of the meeting in which the election is conducted. The Committee shall thereupon be reconvened, within seven (7) business days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protester(s) or objector(s) who may be heard in person, by counsel, or both; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, which may be either to affirm or change the results of the election or to set aside such election. The Committee's decision (as reflected by a majority of those actually present and voting on all such matters) shall be final.

Section 4.10. REMOVAL OF A BOARD MEMBER BY THE BOARD. Following notice and an opportunity to be heard, any Board member, upon the affirmative vote of at least two-thirds of the members of the Board, may be removed from the Board if he or she has been declared of unsound mind by an order of a court, has been convicted of a felony or a crime involving moral turpitude, or for other proper cause, including but not limited to violations of fiduciary duty expected of a Board member, self dealing, a conflict of interest not otherwise described in Section 4.03 (c), or personal conduct which would likely cast doubt on the integrity of either the member, the Board and/or its other members. The Board shall establish the procedures to be followed when considering the removal of a Board member. Such procedures shall ensure that due process

is afforded to the Board member whose removal is at issue. Upon such removal, a vacancy shall be declared and, by a majority vote, the Board shall appoint a person to fill such vacancy for the unexpired portion of the removed Board member's term. The person so appointed shall be a resident of the removed member's district and shall meet all qualifications stated in Section 4.03.

Section 4.11. LIMITATION OF PERSONAL LIABILITY OF DIRECTORS. A director of the Cooperative shall not be personally liable for monetary damages as such for any action taken, or any failure to take any action, unless:

- (a) the director has breached or failed to perform the duties of his or her office as defined in Section 4.12 below; and
- (b) the breach or failure to perform constitutes self dealing, willful misconduct or recklessness.

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

Section 4.12. STANDARD OF CARE AND JUSTIFIABLE RELIANCE.

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

- (ii) Counsel, public accountants or other persons as to matters which the director reasonably believes to be within the professional or expert competence of such person:
- (iii) A committee of the Board upon which he or she does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the director reasonably believes to merit confidence.

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

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

Section 4.13. INDEMNIFICATION IN THIRD PARTY PROCEEDINGS.

The Cooperative may indemnify any person who was or is party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Cooperative) by reason of the fact that he or she is or was a representative of the Cooperative, or is or was serving at the request of the Cooperative as a representative of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgements, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner reasonably believed to be in, or not

opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgement, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interest of the Cooperative, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 4.14. INDEMNIFICATION IN DERIVATIVE ACTIONS. The Cooperative may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Cooperative to produce a judgement in its favor by reason of the fact that he or she is or was a representative of the Cooperative, or is or was serving at the request of the Cooperative as a representative of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit if he or she acted in good faith in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Cooperative and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Cooperative unless and only to the extent that the Court of Common Pleas of Tioga County or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the said Court of Common Pleas or such other court shall deem proper.

Section 4.15. DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION. Unless ordered by a court, any indemnification under section 4.13 or 4.14 above shall be made by the Cooperative only as authorized in the specific case upon determination that indemnification of the representative is proper in the circumstances because he or she has met the applicable standard of conduct set forth in such paragraph. Such determination shall be made:

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

Section 4.16. NONEXCLUSIVITY AND SUPPLEMENTARY COVERAGE. The provisions of Section 4.13 and 4.14, or any other provisions of law providing for indemnification or advancement of expenses applicable to the Cooperative shall not be deemed exclusive of any other rights to which Cooperative representatives seeking indemnification or advancement of expenses may be entitled under any agreement, vote of members or disinterested directors or otherwise. The Cooperative may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner its indemnification obligations, whether arising under or pursuant to Section 4.13 and 4.14 or otherwise. Indemnification, however, shall not be made in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness.

Section 4.17. ADVANCE PAYMENT OF Expenses. Expenses incurred by a director, officer, employee or agent of the Cooperative in defending a civil or criminal action, suit or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on

behalf of such person to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Cooperative.

Section 4.18. INDEMNIFICATION OF FORMER REPRESENTATIVES. The indemnification and advancement of expenses provided by, or granted pursuant to, the provisions of Sections 4.13, 4.14, 4.15, 4.16 and 4.17 of this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 4.19. INSURANCE. The Cooperative shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any capacity or arising out of such person's status as such, whether or not the Cooperative would otherwise have the power to indemnify such persons against such liability.

Section 4.20. RELIANCE ON PROVISIONS. Each person who shall act as an authorized representative of the Cooperative shall be deemed to be doing so in reliance upon the rights of indemnification provided by this Article.

ARTICLE V

MEETING OF THE BOARD

Section 5.01. REGULAR MEETINGS. Regular meetings of the Board shall be held monthly at such time and place within one of the counties served by the Cooperative as designated by the Board. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof, provided that

a copy of such resolution shall be delivered to any Board member not present when it was adopted, at least five (5) days prior to the first regular meeting held pursuant thereto delivered to such Board member either personally or by mail. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Board member at his address as it appears on the records of the Cooperative, with postage thereon paid.

Section 5.02. SPECIAL MEETING. Special meetings of the Board may be called by the Chairman or by any three Board members and, it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chairman or Board members calling the meeting shall fix the time and place for the holding of the meeting.

Section 5.03. NOTICE OF BOARD MEETINGS. Five (5) days written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Board member either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairman or the Board member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Board member at his address as it appears in the record of the Cooperative, with postage thereon prepaid.

Section 5.04. QUORUM. A majority of the Board shall constitute a quorum, provided, that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Board members of the time and place of such adjourned meeting. The act of a majority of the Board members present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws.

ARTICLE VI

OFFICERS

Section 6.01. NUMBER. The officers of the Cooperative shall be a Chairman, Vice Chairman, Secretary, Treasurer, and such other officers as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person.

Section 6.02. ELECTION AND TERM OF OFFICERS. The officers shall be elected by ballot, annually by and from the Board at the first meeting of the Board held after the annual meeting of the members. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until meeting of the Board following the next succeeding annual meeting of the members, or until his or her successor shall have been elected and shall have qualified. No person shall be eligible to serve as Chairman for more than four (4) consecutive one-year terms. After the lapse of at least three (3) years from the expiration of a former Chairman's term of office, he or she shall again be eligible to be elected Chairman for no more than four (4) additional one-year terms. At the expiration of which an additional three-(3) year period of ineligibility shall again become effective. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

Section 6.03. REMOVAL OF OFFICERS AND AGENTS BY THE BOARD. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Cooperative will be served thereby. 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 (10%) of the members or three hundred (300) whichever is the lesser, 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 (10) 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; and the person or persons bringing the charges against him shall have the same opportunity. In the event the Board does not remove such officer, the question of his removal shall be considered and voted upon at the next meeting of the members.

Section 6.04. CHAIRMAN. The Chairman shall:

- a) Be the principal executive officer of the Cooperative and, unless otherwise determined by the members of the Board, shall preside at all meetings of the members and the Board;
- b) Sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by the Board or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- c) In general perform all duties incident to the office of Chairman and such other duties as may be prescribed by the Board from time to time.

Section 6.05. 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. The Vice Chairman shall also perform such other duties as from time to time may be assigned to him by the Board.

Section 6.06. SECRETARY. The Secretary shall be responsible for:

- a) Keeping 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 these Bylaws or as required by law;
- c) The safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative 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 these Bylaws;
- d) Keeping a register of the names and post office addresses of all members;
- e) Signing with the Chairman certificates of membership, the issue of which shall have been authorized by the Board or the members;
- f) Keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereof (which copy shall always be open to inspection of any member) and, at the expense of the Cooperative, furnishing a copy of the Bylaws and of all amendments thereto any member upon request; and
- g) In general performing all duties incident to the office of Secretary and such other duties which from time to time may be assigned to him by the Board.

Section 6.07. 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 moneys

due and payable to the Cooperative and for the deposit of all such moneys in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and

- c) The general performance of all duties incident to the office of Treasurer and such other duties which from time to time may be assigned to him by the Board.

—**Section 6.08. PRESIDENT/CEO.** The Board may appoint a President/CEO who may be but who shall not be required to be, a member of the Cooperative. The President/CEO shall perform such duties and shall exercise such authority as the Board may from time to time vest in him.

Section 6.09. 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 in its discretion may also require any officer, agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

Section 6.10. COMPENSATION. The powers, duties and compensation of officers, agents and employees shall be fixed by the Board subject to the provisions of these Bylaws with respect to compensation of a Board member and close relatives of a Board member.

Section 6.11. 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 7.01. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its members. No interests or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

Section 7.02. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY. In the furnishing of electrical energy and/or service, the Cooperative's operations shall be so conducted that all members 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 and/or service in excess of operating costs and expenses properly and separately chargeable against the furnishing of electrical energy and/or 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 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, 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 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.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be

- a) Used to offset any losses incurred during the current or any prior fiscal year; and
- b) To the extent not needed for that purpose, allocated to its members on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of members, as herein provided.

Provided (further) however, that the Board of Directors shall have the power to adopt rules providing separate retirement of that portion (“power 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 electric energy to the Cooperative which is purchased by the member from the Cooperative. Such rules shall

- a) Establish a method for determining the power supply portion of capital credited to each member for each applicable fiscal year;
- b) Provide for separate identification on the Cooperative’s books of the power supply portion of capital credited to the Cooperative’s members;
- c) Provide for appropriate notification to members with respect to the power supply portion of capital credited to their accounts;
- d) Preclude a general retirement of the power supply portion of capital credited to members for any fiscal year prior to the general retirement of other capital credited to the members for the same year or of any capital credited to

members for any prior fiscal year;

- e) Provide the stipulation that no power supply portion of capital credits will be refunded to the member until it is refunded to the Cooperative.

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 members’ accounts may be retired in full or in part. Any such retirements of capital shall 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 first retired.

Capital credited to the account of each member shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or a part of such member’s premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions of these Bylaws, the Board at its discretion, shall have the power at any time upon the death of any member, if the legal representatives of his 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 provisions of these Bylaws, 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.

The members of the Cooperative, by dealing with the

Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the Bylaws shall be called to the attention of each member of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE VIII

DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance 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 or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and whether 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 the National Rural Utility Cooperative Finance Corporation provided further that the Board may upon the 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 another Cooperative or foreign corporation doing business in this State pursuant to the Act under which this Cooperative is incorporated.

ARTICLE IX

SEAL

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

ARTICLE X

FINANCIAL TRANSACTIONS

Section 10.01. CONTRACTS. Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 10.02. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed and/or countersigned by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

Section 10.03. DEPOSITS. All funds except petty cash of the

Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board may select.

Section 10.4. 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 11.01. MEMBERSHIP IN OTHER ORGANIZATIONS. The Cooperative shall not become a member of, or purchase stock in any other organization without an affirmative vote of the Board of Directors at a duly held regular or special meeting of the Board, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, as an item of business.

Section 11.02. WAIVER OF NOTICE. Any member or Board member may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or Board member at any meeting shall constitute a waiver of notice of such meeting by such member or Board member, except in 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 11.03. POLICIES, RULES AND REGULATIONS. The Board shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

Section 11.04. ACCOUNTING SYSTEM AND REPORTS. The Board shall cause to be established and maintained a complete accounting system which among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The Board shall also, after the close of each fiscal year, cause to be made by a certified public accountant a full and complete audit of the accounts, books, and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next annual meeting.

Section 11.05. AREA COVERAGE. The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who

- a) Desire such service; and
- b) Meet all reasonable requirements established by the Cooperative as a condition of such service.

Section 11.06. RULES OF ORDER. At all meetings of the members, of the Board, and of any committees thereof, meeting procedure, except as provided by law or the Articles of Incorporation, shall be governed by the latest edition of Robert's Rules of Order.

ARTICLE XII

AMENDMENTS

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds of the members of the Board of Directors at any regular or special meeting, and the notice of the meeting shall contain a copy of the proposed alteration, amendment or repeal to be considered at the meeting.