

JACKSON ENERGY COOPERATIVE

BYLAWS

ARTICLE I: MEMBERSHIP

Section 1. Requirements

Any person, partnership, association, corporation, body politic, or political subdivision thereof may become a member of the Cooperative provided that he:

- a. Applies in writing or electronically utilizing a membership application supplied by the Cooperative;
- b. Agrees to purchase electricity or any other service from the Cooperative as stated in these Bylaws;
- c. Agrees to be bound by the Articles of Incorporation, Bylaws, the provisions of the membership application, the Cooperative's tariffs and regulations and all other rules of the Cooperative; and
- d. Has the legal capacity to enter into a binding contract.

No person, partnership, association, corporation, body politic, or subdivision thereof may have more than one membership in the Cooperative, regardless of the number of accounts or service connections the member has with the Cooperative.

Section 2. Joint Membership

Any two adult individuals occupying the same location may apply for and hold a joint membership in the Cooperative, regardless of whether one or both sign the Application for Membership as referred to in Section 3 of this Article. Any provisions relating to the rights and liabilities of membership shall apply equally to the holders of a joint membership. With respect to the holders of a joint membership:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) If more than one joint member votes on a matter, then the first vote received by the Cooperative binds the joint membership and constitutes one vote;
- (d) A waiver of notice signed by either or both shall constitute a joint waiver;
- (e) Notice to either shall constitute notice to both;

- (f) Expulsion of either shall terminate the joint membership;
- (g) Withdrawal of either shall terminate the joint membership;
- (h) Either, but not both, may be elected or appointed as an officer or board member, provided that the individual elected or appointed meets the qualifications of such office; and
- (i) Upon the death of either joint member, such joint membership shall be held solely by the survivor. Provided, however, the Estate of the deceased shall not be released of any debts due the Cooperative.

Section 3. Application

Membership in the Cooperative will be considered by the Board of Directors upon submission by the applicant of an application, either written or electronic, which will be supplied by the Cooperative, the terms and provisions of which are subject to change from time to time by the Board of Directors. The membership application is intended to and will constitute a contract between the applicant and the Cooperative. The Board of Directors may deny membership to an applicant for good cause as defined and found by the Board of Directors.

The Cooperative may allow an applicant to receive electric or other service even though an application has not been submitted or approved, provided that an application is submitted and approved within a reasonable time after service begins.

Section 4. Membership Fees and Deposits

All applicants shall pay a membership fee in order to become a member of the Cooperative. The amount of the fee will be set by the Board of Directors. Members of the Cooperative are subject to the imposition of other fees, including, without limitation, interest, penalties, re-connection fees, extension fees, service charges, attorney fees and court costs incurred to collect amounts owed on any account with the Cooperative.

Section 5. Provision of Electricity and Other Services

The Cooperative shall use reasonable diligence to furnish members with adequate and dependable electric service. The Cooperative does not guarantee a continuous and uninterrupted supply of electricity or other services. The Cooperative is not liable for damages, costs, or expenses caused by inadequate or fluctuating electricity or other services unless such damages, costs, or expenses are caused by the gross negligence or willful misconduct of the Cooperative.

The Cooperative may use equipment to measure, collect, maintain, transmit, communicate and store the quantity or quality of electric energy used by a member and other data or information regarding a member's use of electricity. The Cooperative may use, disclose and transfer usage information if reasonably related to providing electricity,

or if reasonably related to protecting against or responding to death, personal injury or property damage.

Section 6. Purchase of Electricity and Other Services

Each member shall purchase from the Cooperative all electric power and energy purchased for use on all premises to which electric service is furnished by the Cooperative, unless the Board of Directors shall waive such requirement. Production of electricity or other energy by a member by facilities to be interconnected with Cooperative facilities shall be subject to tariffs on file with the Kentucky Public Service Commission and other applicable law, as well as regulations as shall be fixed by the Board of Directors, and in any event, all such interconnection facilities are subject to inspection by the Cooperative and must meet all applicable safety codes and regulations.

Section 7. Termination of Membership

A member may withdraw from the Cooperative upon terms and conditions as specified by the Board of Directors.

The Board of Directors may expel a member by the vote of not less than two-thirds of the members of the Board of Directors for failure to comply with the Bylaws or any other rules and regulations adopted by the Board of Directors. Before such expulsion, the member is entitled to a hearing before the Board of Directors, if requested by the member. An expelled member may be reinstated by the Board of Directors by a majority vote.

Upon the withdrawal, death, cessation of existence, or expulsion of a member, the membership of that member will terminate. Termination of membership does not release the member or his estate from any debts owed to the Cooperative.

Section 8. Wiring of Premises, Damage to Cooperative Property

Each member is responsible for ensuring that his or her premises are wired in accordance with the specifications of the Cooperative, the National Electric Code and any other applicable laws and regulations. Each member shall ensure that his or her electrical equipment and wiring do not adversely impact the Cooperative's ability to safely, reliably and efficiently operate the Cooperative or provide service to other members. Each member shall be responsible for and shall indemnify the Cooperative and its contractors against death, injury, loss, or damage resulting from any defect in or improper use or maintenance of the premises and any wiring connected thereto. Each member shall make available to the Cooperative a suitable location for the placement of Cooperative facilities, such as meters, and the member shall permit the Cooperative and its contractors access to such facilities at all times without interference.

Members shall refrain from causing damage to or otherwise interfering with the Cooperative's facilities in any way, and shall use best efforts to prevent others from doing so. In the event of damage to Cooperative facilities, the member or any other person on the premises shall indemnify the Cooperative and its contractors against death, injury, loss, or damage resulting from the member's negligence.

Section 9. Access to Member Property

Without compensation, each member shall grant to the Cooperative an easement, in writing, providing free, safe and reliable access onto his or her land or premises for the purpose of placing, locating, building, constructing, operating, replacing, rebuilding, relocating, repairing, improving, enlarging, extending, and maintaining on, over, or under such land or premises, or removing there from its electric distribution or other system or facilities, such as lines, poles, wires, anchors, and other facilities. In addition, each member shall grant the Cooperative any additional access to his or her premises as may be reasonably required by the Cooperative to accomplish the above-stated purposes, including, without limitation, inspection of the Cooperative's meter and the member's equipment. The Board of Directors, after a hearing upon request of the member, may expel any member or discontinue service to any member who fails or refuses to comply with this Bylaw.

Section 10. Rights and Liabilities of Members

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

ARTICLE II: MEMBER MEETINGS

Section 1. Annual Meeting

There will be a meeting of the members once per calendar year at a time and place set by the Board of Directors. The meeting will be held in a county served by the Cooperative. The purpose of the annual meeting will include election of directors, passing upon financial reports, and such other business as the Board of Directors shall designate.

Section 2. Special Meeting

A special meeting of the members may be called by the Board of Directors upon a majority vote, or by a written request of ten percent or more of the members or for any other purpose stated in the Bylaws. The Secretary shall cause notice to be sent to the members as set forth in section 3.

Section 3. Notice of Member Meetings

A notice stating the place, date, and time of the meeting, and if required, the purpose for which the meeting is called, shall be delivered to the members in a manner reasonably calculated to reach the members, which may, but is not required to, include publication in the Kentucky Living Magazine.

The notice shall be delivered to members not less than five (5) and no more than forty (40) days prior to the date of the meeting. Notice shall be deemed delivered when it is mailed to the address of the member stated in the Cooperative's records, or when the notice however delivered, is received.

Section 4. Quorum

A quorum for the transaction of business at a member meeting shall be the lesser of one half of one percent of the total number of members as reflected in the Cooperative's records, or fifty (50) members.

If less than a quorum is present at any meeting, a majority of members present may without further notice adjourn the meeting to another time and date not more than forty-five days later, provided that the Secretary shall notify any absent members of the time, date, and place of such meeting by delivering notice to the members as set out in these Bylaws.

Section 5. Voting

Each member is entitled to one vote upon each matter submitted to a vote at a member meeting. All matters shall be decided by vote of a majority of the members, unless otherwise provided in the Bylaws, Articles of Incorporation, or other law. With respect to joint memberships, the name and social security number of a joint member must be on file in the Cooperative's records to entitle that joint member to vote. Non-individual entities, such as corporations, churches, and unincorporated associations are entitled to one vote, provided that the entity submits a written statement appointing an individual to vote for the member and that such statement is presented to the Cooperative at the place of voting.

Any member entitled to vote upon a matter may appoint another member to vote in his or her stead by signing and dating a proxy form provided by the Cooperative which must specify the member meeting at which the proxy will vote for the member. A proxy is effective when received by the Cooperative either in advance of or at the member meeting. A proxy is valid for no more than six months. A member proxy may not vote for more than three members. A proxy may not be obtained by fraud or other improper means. As determined by the Cooperative, a member proxy appointment procured through fraud or other improper means is invalid.

All business conducted at a member meeting shall be voted upon in person by the members, with the exception of voting done by proxy.

Section 6. Director Nominations by Committee

It shall be the duty of the Board of Directors to appoint, not less than sixty (60) days and not more than ninety (90) days before the date of a meeting at which the election of directors will be announced, a Nominations Committee, consisting of nine (9) members of the Cooperative who are not current Cooperative employees, agents, officers, directors or director candidates, or close relatives or members of the same household of current Cooperative employees, agents, officers, directors or director candidates, and who are selected so that each of the Cooperative's director districts are represented. The Committee shall take action based upon a majority of a quorum present at the meeting. A quorum is defined as five (5) or more members of the Committee. The Committee will prepare and post at the Cooperative's principal office at least fifty (50) days prior to the

meeting a list of nominations for directors to be elected, listing separately the nominee(s) for each director district. The Committee may include as many nominees as it deems desirable for each district. However, the Committee shall automatically include the incumbent Director as a nominee, unless the incumbent has resigned his position or otherwise informed the Cooperative that he or she does not desire to be nominated.

Section 7. Director Nominations by Petition

A member may be nominated by a membership petition signed by five hundred (500) or more members. The petition shall be on a form provided by the Cooperative and shall contain each signing member's full name, address, verifiable contact telephone number, account number and signature. If any of these items are missing with respect to a signature, it will not be considered a valid signature and will not be counted toward the five hundred (500) signatures required for nomination by petition. All signatures shall be affixed on the petition within six (6) months of the date it is submitted. The petition must be submitted to the Cooperative's principal office at least sixty (60) days before the member meeting. The Secretary shall post all qualified nominees by petition in the same way as nominees by Committee.

Section 8. Election of Directors

All voting for candidates for directors shall be exclusively in person voting at the annual meeting, or such other time and place designated by the Board of Directors, with the exception of votes cast by proxy. Each member may cast only one vote for each director district. All members may vote for directors even though the member resides outside the director's district. If a member has multiple accounts, the member is entitled to only one vote. For the holders of a joint memberships, either person, but not both, may cast the vote for that membership.

After the Credentials and Elections Committee has certified the names of the candidates nominated by petition, it shall be the responsibility of that Committee to prepare the ballot to be used at the annual meeting, which shall contain the names of those persons nominated by Committee and by petition. The ballot shall state which candidate was so nominated. The candidates' names will be placed on the ballot in alphabetical order.

The Secretary of the Cooperative shall include with the notice of the meeting a statement of the number of directors to be elected and showing separately the nominations made by Committee and nominations made by petition, if any, and stating the address of each nominee and the director district from which each must be elected, showing clearly those nominated by petition and those nominated by the Nominating Committee.

At each annual meeting, the membership will vote to elect a director for each district open for election in that year, even if there is only one nominee for the director position.

Any objection or protest to the election must be filed in writing at the Cooperative's corporate office to the attention of the Elections and Credentials Committee within three (3) days after the election.

Section 9. Credentials and Election Committee

If there are two or more nominees for a director position, or there are other disputed matters submitted to a vote by the membership, at least thirty days before the member meeting, the Board shall appoint a Credentials and Election Committee, which shall have at least three (3) but no more than five (5) members who are members of the Cooperative, but are not members of the Nominating Committee or current Cooperative employees, agents, officers, directors, or candidates for director, and who are not close relatives or members of the same household of current Cooperative employees, agents, officers, directors, or candidates for director. Prior to the member meeting, the Committee shall elect a chairperson and secretary. The Board may appoint such a Committee at any other time that it deems desirable.

The Committee shall have the following duties and responsibilities:

- a. To examine and audit petitions for the nomination of directors to ensure that such petitions comply with the Bylaws and other rules of the Cooperative and applicable law;
- b. To pass upon the validity of the signature, printed names, addresses, telephone numbers, and account numbers on the petitions to determine if those signing are qualified members in good standing with the Cooperative;
- c. If a signee to a petition is disapproved, the Committee shall state in writing the reason or reasons for such disapproval;
- d. To determine if the required number of members have signed the petition after having deducted from the petition the names disapproved;
- e. Upon completion of the examination and audit of any petitions, certify to the Secretary of the Cooperative the name or names of those persons properly nominated by petition, so that those names may be placed on the official ballot;
- f. To rule upon any protest or objection to any aspect of the director election as set forth in the Bylaws;
- g. To tabulate all votes cast on the official ballot;
- h. To establish and approve the manner of conducting member registration;
- i. To rule upon the legitimacy of any ballot cast;
- j. To rule upon any objections or protests to an election which shall include hearing evidence presented by the challenger to the election results in person, by counsel, or both, and any opposing evidence, within thirty (30) days after the election, which may alter

the results of the election, or set the results aside and order a new election at a special meeting.

k. All action taken by the Committee requires a majority vote of a quorum. A majority of the members of the Committee constitutes a quorum.

l. In conducting its business, the Committee may seek the advice of legal counsel, and the assistance of the management and staff of the Cooperative as it sees fit.

Section 10. Voting Districts

The territory served by the Cooperative shall be divided into nine voting districts, with each district to be represented by one director as follows:

District 1: All members in Jackson County residing East and North of Hwy. 421, beginning at the Rockcastle and Jackson County boundary line and running with Hwy. 421 to its junction with Hwy. 587; thence running East with Hwy. 587 to its junction with Hwy. 1119; thence running South with Hwy. 1119 to its junction with Hwy. 1118; thence Northwest with Hwy. 1118 to its junction with Hwy. 421; thence South with Hwy. 421 to the Clay and Jackson County boundary line.

District 2: All members in Jackson County not residing in District 1.

District 3: All members in Laurel County residing North of Hwy. 1956, beginning at the Laurel and Rockcastle County boundary line and running with Hwy. 1956 to its junction with Hwy. 80; thence running east with Hwy. 80 to the Laurel and Clay County boundary line.

District 4: All members residing in Estill and Powell Counties.

District 5: All members residing in Rockcastle, Lincoln, Garrard, Pulaski, and Madison Counties.

District 6: All members residing in Clay and Leslie Counties.

District 7: All members residing in Owsley and Breathitt Counties.

District 8: All member residing in Lee and Wolfe Counties.

District 9: All members in Laurel County not residing in District 3.

Section 11. Agenda

The Board of Directors shall prepare the agenda for the meeting including items to be voted upon and persons who shall speak at the meeting. Any five hundred (500) members, acting together, may make a proposal to have a legitimate matter placed upon the agenda for voting by written request to the Secretary. The members must submit a petition with their names, signatures, addresses, telephone numbers, and account numbers. No matter shall be voted upon at the meeting unless it has been placed on the agenda at least sixty days prior to the meeting.

If any member or other person who is not listed on the Cooperative's agenda desires to address the membership at the meeting, such person must submit a written request, along with the signatures, names, account numbers, addresses, and verifiable contact telephone numbers of two hundred (200) members, stating the reasons for the request, to the Cooperative at least sixty (60) days prior to the meeting. It is in the discretion of the Board of Directors as to whether to grant the request. The topic to be addressed by the speaker must pertain to Cooperative business and the speaker will be limited to an address of five (5) minutes in length.

Except as otherwise provided by the Board before or at a member meeting, the Chair of the Board or an individual designated by the Chair: (1) shall preside at the member meeting; (2) may remove a person from the member meeting for unruly, disruptive or similar behavior; and (3) may exercise power reasonably necessary for efficiently and effectively conducting the member meeting.

The Board may establish rules for conducting a member meeting, which rules must be: (1) fair to the members; and (2) communicated to or made available to the members with the Notice of Meeting.

Section 12. Order of Business

The order of business at the annual meeting and, if possible, at all other meetings of the members shall be as follows:

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Appoint a Secretary for the meeting.
3. 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.
4. Reading or waiver of reading, and approval of the unapproved minutes of the previous meeting(s) of the members and the taking of necessary action thereon.
5. Presentation and consideration of, and action upon, reports of officers, directors, and committees.
6. Report on the nomination of directors by committee or petition.
7. Election of Directors.
8. Unfinished business.
9. New business.
10. Adjournment.

ARTICLE III: DIRECTORS

Section 1. General Powers

The business and affairs of the Cooperative shall be managed by a Board of nine (9) Directors which shall exercise all the powers of the Cooperative except such as the Bylaws or Articles of Incorporation of the Cooperative confer upon or reserve to the members.

Section 2. Qualification

To be eligible to become or remain a member of the Board of Directors a person must:

a. Be a member in good standing, a resident in the area served by the Cooperative and a resident of the district for which he or she is elected;

b. Receive electric service from the Cooperative at his or her primary place of residence;

c. Have the legal capacity to enter into a binding contract;

d. Not be an employee, former employee or retired employee of the Cooperative, or an employee, former employee or retired employee of the former Cooperative in the event of a consolidation;

e. Not be a close relative of an employee or Director of the Cooperative. A close relative is defined as a person who by blood or in-law, including half, foster, step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother or sister;

f. Not have entered a plea of guilty to, or no contest to, or been convicted of a felony;

g. Is an incumbent or a candidate for an elected public office, or is an incumbent or a candidate for a position on the Board of Directors of any electric, telephone, water or sewer utility, with the exception of a utility in which Jackson Energy Cooperative has an ownership interest;

h. Be a high school graduate or have passed the General Educational Development (GED) test;

i. Not use his or her position on the Board for personal or political gain;

j. Not have a final judgment entered against him or her involving civil fraud, an ethical violation, discrimination and/or acts of harassment while a Director or prior to becoming a Director;

k. Not have been a debtor in a federal bankruptcy proceeding or a similar proceeding under applicable state law such as insolvency, liquidation, receivership, reorganization or assignment for the benefit of creditors while a Director and for seven years prior to becoming a Director;

l. Not have been a party to a foreclosure or other proceeding (judicial or non-judicial), which proceeding is or was instituted because of the Director's default on indebtedness while a Director or for seven years immediately before becoming a Director;

m. Except as otherwise provided by the Board of Directors for good cause shown, receive a Credentialed Cooperative Director designation, Director's Certificate or similar designation or certification from the National Rural Electric Cooperative Association

within 18 months of becoming a Director and after becoming a Director, participate in and complete required Director training as established by the Board of Directors;

n. Not breach the Director's fiduciary duties to the Cooperative, violate confidences or engage in illegal activity under the color of authority as a Director; and

o. Consent to a background check upon election to the Board or nomination be on the ballot for election to the Board in the discretion of the Board of Directors.

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

Section 3. Tenure

Directors shall serve for a term of three years. The directors' terms shall be staggered terms with elections being held each year, if applicable, in the following rotations: first, districts 1, 3 and 5; second, districts 7, 8 and 9; and third, districts 2, 4 and 6.

Section 4. Removal of a Director by Members

Any member may bring charges against a director by filing such charges with the Secretary together with a petition signed by ten percent (10%) of the membership requesting the removal of the director in question. The petition shall state the name, signature, address, telephone number, and account number of each person signing, and the reason(s) for which removal is sought. The removal shall be voted upon at the next annual or special meeting of the members. The notice of the meeting shall be delivered in the same way as the notice of any meeting.

The director against whom removal is sought shall be informed of the charges in writing and shall have an opportunity at the meeting to be heard in person or by counsel and shall be allowed to present evidence with respect to the charges.

A vote of two-thirds of the membership at the meeting, assuming a quorum is present, is required to remove the member. The voting at the meeting shall be done by ballot.

Section 5. Removal of a Director for Absence

Any board member who is absent from three (3) consecutive regular meetings of the board, unless excused by a majority vote of the other board members, may be deemed to have vacated his office if so determined by a majority vote of the board.

Section 6. Removal of a Director by the Board of Directors

A director may be removed by a vote of two-thirds of all the directors at two (2) consecutive board meetings for cause. Cause is defined as any unlawful action affecting the cooperative or any malfeasance in that office which interrupts or interferes with the performance of the business of the Cooperative or with the director's duties.

Section 7. Board Vacancies

A vacant director position may be filled by the majority vote of the remaining directors, and that director shall serve for the unexpired term of his predecessor. The replacement director must reside in the same director district as his predecessor.

Section 8. Compensation

The members of the Board of Directors shall not receive a salary for their services, except that the Board of Directors may by resolution authorize a fixed sum for each monthly meeting and for each day spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the Board of Directors. If authorized by the Board of Directors, a director may be reimbursed for expenses actually and necessarily incurred in carrying out Cooperative business. No director shall receive compensation for serving the Cooperative in any other capacity.

Section 9. Rules and Regulations

The Board of Directors may make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation, or the Bylaws, as it may deem advisable for the management, administration, and regulation of the business of the Cooperative.

Section 10. 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, rules, and regulations, 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 of Directors shall, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books, and financial condition of the Cooperative as of the end of each fiscal year. A summary of the audited reports shall be submitted to the members at the following annual meeting.

ARTICLE IV: BOARD OF DIRECTORS MEETINGS

Section 1. Regular Meetings

A regular meeting of the Board of Directors shall be held without notice immediately after, and at the same place as, the annual meeting of the members.

A regular meeting of the Board of Directors may also be held monthly at such time and place in Jackson County as the Board of Directors may provide, however it is in the discretion of the Board of Directors to change the time and location of the meeting. Such monthly meetings may be held without notice other than a resolution of the Board fixing the time and place thereof.

Section 2. Special Meetings

Special Meetings of the Board of Directors may be called by the Chairman of the Board or by a simple majority of directors. The person or persons who called the meeting shall fix the time and place of the meeting.

Notice of a special meeting of the Board of Directors shall be given at least five (5) days prior to the meeting by written notice delivered personally or by mail or electronic mail. If sent by mail, the notice is deemed received when deposited in the U.S. mail. The attendance at a meeting of a director shall constitute a waiver of such notice of meeting, except when a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

Section 3. Attendance at Board Meetings

Any Cooperative member who wishes to attend a meeting of the Board of Directors must make a written request to attend the meeting at the Cooperative's corporate office ten (10) days prior to the meeting, stating the reasons why the member seeks to attend the meeting. It is in the discretion of the Board of Directors whether to grant the request.

Any Cooperative member who wishes to speak at a meeting of the Board of Directors must make a written request to speak at the meeting at the Cooperative's corporate office ten (10) days prior to the meeting, stating the reasons why the member seeks to speak at the meeting and the subject matter that will be discussed by the speaker. It is in the discretion of the Board to grant the request and to limit the length of the address to the Board.

Section 4. Notice

Notice of a meeting of the Board of Directors shall be given at least five (5) days prior to the meeting by written notice delivered personally or mailed. If mailed, the notice is deemed received when deposited in the U.S. mail. The attendance at a meeting of a director shall constitute a waiver of such notice of meeting, except when a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

Section 5. Quorum

A majority of the Board of Directors shall constitute a quorum, however, if less than a majority of the directors is present at a meeting, a majority of those present may adjourn the meeting without further notice.

Section 6. Manner of Acting

Unless otherwise stated in the Bylaws, Articles of Incorporation, or applicable law, the act of a majority of the directors at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE V: OFFICERS

Section 1. Number

The officers of the Cooperative shall be a Chairman of the Board, Vice Chairman of the Board, Secretary, and Treasurer, each of whom shall be elected by the Board from time to time. The office of Secretary and Treasurer may be held by the same person.

Section 2. Election and Term of Office

The Board of directors shall elect officers at a meeting of the Board of Directors to be held after each annual meeting. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term, with the terms being coextensive with the term of office of the director serving in that position.

Section 3. Removal of Officers

The Board of Directors may remove any officer elected or appointed by the Board of Directors if the Board believes removal to be in the best interests of the Cooperative.

Section 4. Chairman of the Board

The Chairman of the Board shall:

- a. Be the principal officer of the Cooperative and unless otherwise determined by the Board of Directors, shall preside at all meetings of the Board of Directors;
- b. Sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution of an instrument shall be expressly delegated by the Board of Directors or by the Bylaws to some other officer or agent of the Cooperative;
- c. In general, 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; and
- d. While presiding at a meeting of the Board of Directors, choose to vacate the chair, and the Vice-Chairman is absent or chooses not to preside, the Chairman shall designate another person as Chairman for any part or all of the remainder of the meeting.

Section 5. 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 who 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 of Directors.

Section 6. Secretary

The Secretary shall be responsible for:

- a. Keeping, or causing to be kept, the minutes of meetings of the members and of the Board of Directors in books provided for that purpose;
- b. Seeing that all notices are duly given in accordance with the Bylaws or as required by law;
- c. The safekeeping of the corporate books and records and the Seal of the Cooperative and to all documents, the execution of which on behalf of the Cooperative under its Seal is duly authorized with the provisions of the Bylaws.
- d. Keeping, or causing to be kept, a register of the names and addresses of all members;
- e. Keeping, or causing to be kept, on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of the Bylaws and all amendments thereto to any member upon request; and
- f. In general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

Section 7. Treasurer

The Treasurer shall be responsible for:

- a. Custody of all funds and securities of the Cooperative;
- b. The receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the Bylaws; and
- c. The general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

Section 8. Delegation of Secretary's and Treasurer's Responsibilities

Notwithstanding the duties, responsibilities, and authorities of the Secretary and Treasurer, the Board of Directors, by resolution may, except as precluded by law, delegate in whole or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's duties to one or more agents, other officers, or employees of the Cooperative who are not directors. To the extent that the Board does so delegate with respect to any such officer, that officer shall be released from such duties, responsibilities, and authorities.

Section 9. President and CEO

The Board of Directors may appoint a President and Chief Executive Officer (CEO) who may be, but shall not be required to be, a member of the Cooperative. The President and

CEO shall perform the duties of Chief Executive Officer and shall exercise such authority as the Board of Directors may determine.

Section 10. Bonds of Officers

The Board of Directors in its discretion may require the Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property to be bonded in such sum and with such surety as the Board of Directors may determine. The costs of all such bonds shall be borne by the Cooperative.

Section 11. Compensation

The compensations of officers, agents, and employees shall be fixed by the Board of Directors.

Section 12. Reports

The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative at the close of such fiscal year.

Section 13. Indemnification of Directors, Officers and Employees

Every present or past director, officer, employee, or member of a board committee of the Cooperative shall be indemnified by the Cooperative against all judgments, penalties, fines, settlements, and reasonable expenses, including legal fees, incurred by him as a result of or in connection with any threatened, pending, or completed civil, criminal, administrative, or investigative proceeding to which he may be made a party by reason of his acting or having acted in his official capacity as a director, officer, employee, or member of a board committee of the Cooperative, or in any other capacity he may hold at the request of the Cooperative, as its representative in any affiliated organization, subject to the following conditions:

a. The director, officer, employee or committee member must have conducted himself in good faith (and reasonably believed his conduct was in the best interests of the Cooperative), and, in the absence of criminal proceedings, he must have had no reasonable cause to believe that his conduct was unlawful. When acting in his official capacity, he must have reasonably believed that his conduct was in the best interests of the Cooperative;

b. When acting in any other capacity, he must have reasonably believed that his conduct was at least not opposed to the best interests of the Cooperative;

c. If the proceeding was brought by or on behalf of the Cooperative, however, indemnification shall be made only with respect to reasonable expenses referenced above. No indemnification of any kind shall be made in any such proceeding in which the director, officer, employee, or member of a board committee shall have been adjudged liable to the Cooperative, except that no professional employee shall be liable to the Cooperative for any losses occasioned by his errors or omissions made in his official capacity with the Cooperative unless such losses were the result of his gross negligence or willful misconduct.

d. In no event, however, will indemnification be made with respect to any described proceeding once it has been determined that the director, officer, employee, or committee member improperly benefited from the receipt of an improper personal benefit.

e. In order for any person to receive indemnification under this Section, he shall vigorously assert and pursue any and all defenses to those claims, charges, or proceedings covered hereby which are reasonable and legally available and shall fully cooperate with the Cooperative or any attorneys involved in the defense of any such claim, charges, or proceedings.

No indemnification shall be made in any specific instance until it has been determined by the Cooperative that indemnification is permissible in that specific case under the standards set forth herein and that the expenses claimed are reasonable. These two determinations shall be made by a majority vote of at least a quorum of the Board of Directors consisting solely of directors who were not parties to the proceeding. If such a quorum cannot be obtained, a majority of at least a quorum of the Board of Directors, including directors who are parties, shall designate a Board Committee which shall consist solely of three or more directors who are not parties to the proceeding, and such Committee shall make said determinations by majority vote. If it is not possible to make said determinations by either of the above methods, then a special legal counsel selected by a majority vote of at least a quorum of the Board of Directors, including directors who may be parties, shall make said determinations. However, in making such determinations the termination of any proceeding by judgment, order, settlement, conviction or upon pleas of nolo contendere or its equivalent shall not, in and of itself, be conclusive that the person did not meet the standards set forth herein.

In addition to the indemnification provided herein, the Board of Directors may, as part of the ordinary course of business of the Cooperative, direct that insurance or self-funded liability protection shall be purchased or provided, to the extent reasonably practical, by the Cooperative that would protect it, its directors, officers, employees or committee members against liabilities and reasonable expenses arising out of the performance of their duties for the Cooperative.

ARTICLE VI: CONTRACTS, CHECKS, AND DEPOSITS

Section 1. Contracts

Except as otherwise provided in the Bylaws, the Board of Directors may authorize any officer(s) or agent(s) to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, etc.

All checks, drafts, or other orders for the payment of money, and all notes, bonds, or other evidence of indebtedness issued in the name of the Cooperative shall be signed by such officer(s), agent(s), or employee(s) of the Cooperative and in the 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: 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, except as required by law.

Section 2. Patronage Capital in Connection with Furnishing Electric Energy

In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons 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 in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to allocate credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron. All such amounts credited to the capital account of any patron shall have 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 has 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 patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro-rata basis before any payments are made on account of property rights of members, provided, that insofar as gains may be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during that period, insofar as is practicable, as determined by the Board of Directors before any payments are made on account of property rights of members.

If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. The Board of Directors

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

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

Notwithstanding any other provision of the Bylaws, the Board of Directors at its discretion, shall have the power at any time upon the death of any patron, a natural person, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby; and provided, further that no payment of capital credits to the estate of a deceased member shall be made except to the extent said credits represent receipts in cash to the Cooperative.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Consolidation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of the Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE VIII: WAIVER OF NOTICE OF MEETING

Any member or director may waive, in writing, any notice of a meeting required to be given by the Bylaws.

ARTICLE IX: DISPOSITION OF PROPERTY

The Cooperative may not sell, lease, or otherwise dispose of all or a substantial portion of its property or dissolve the Cooperative unless the Board of Directors is authorized so to do by a two-thirds (2/3) vote of the quorum at a member meeting. Due notice shall be given to all members of the proposed sale, lease or other disposition of such property. The Board of Directors, without authorization by the members, 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 wherever situated, as well as the revenues and income therefrom, upon such terms and conditions as the Board of Directors shall determine, to secure any obligation of the Cooperative, any provisions of the Articles of Incorporation or Bylaws of the Cooperative notwithstanding.

ARTICLE X: FISCAL YEAR

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

ARTICLE XI: MEMBERSHIP IN OTHER ORGANIZATIONS

The Cooperative shall not become a member of any other organization without an affirmative vote of the members at a meeting called as provided in the Bylaws, and the notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business, provided, however, that the Board of Directors shall have full power and authority to authorize the Cooperative to purchase stock in or to become a member of any corporation or cooperative organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification or rural economic development.

ARTICLE XII: 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, KENTUCKY."

ARTICLE XIII: AMENDMENTS

The Bylaws may be altered, amended, or repealed by the affirmative vote of not less than two-thirds of all the directors at any regular meeting. The Bylaws may also be altered, amended, or repealed by vote of not less than two-thirds of all the directors at any special meeting, provided, a notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal.