

BYLAWS

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

ARTICLE I

Membership

SECTION 1.01. Eligibility. Any natural person, firm, association, corporation, partnership, limited liability company, or body politic or political subdivision or agency hereof (each hereinafter referred to as "person", "applicant", "him", or "her") shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by him to receive electric service from South Kentucky Rural Electric Cooperative Corporation, (hereinafter called the "Cooperative"); however, no person shall hold more than one voting membership in the Cooperative.

SECTION 1.02. Application for Membership/"Member" Definition. Any eligible person or entity provided for in Section 1.01 shall be deemed to be a Cooperative "member" by: (a) being the Applicant designated on a written application for membership furnished by the Cooperative and in whose name the service account is titled; (b) taking service from the Cooperative by agreeing to purchase from the Cooperative, a wholly-owned corporate subsidiary or limited liability company of the Cooperative, electric power and energy; (c) agreeing to be bound by and comply with all provisions of the Cooperative's Articles of Incorporation, Bylaws, rules, regulations, procedures, rate classifications, and rate schedules adopted by the Cooperative's Board of Directors (the obligations embraced by such agreement being hereafter called "membership obligations"); (d) paying the membership fee provided in Section 1.04 (however, in the case of a duly authorized membership transfer a new membership fee is not required); and, (e) any other reasonable requirements adopted by the Board of Directors. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefore by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.04 together with any service deposit, service connection deposit or fee, facility extension fee or contribution in aid of construction (hereinafter referred to as other deposits or fees) that may be required by the Cooperative which membership fee and other deposits or fees shall be refunded in the event that application is denied by the Board.

SECTION 1.03. Acceptance Into Membership. Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically become an active member on the date of his connection for electric service; PROVIDED , that the Board of Directors may by resolution deny an

application and refuse to extend service upon its determination that the applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application should be denied for other good cause ; PROVIDED FURTHER, that any person whose application, for sixty (60) days or longer, has been submitted but not denied by the Board of Directors and who has not been connected by the Cooperative for electric service shall by filing written request therefore with the Cooperative at least thirty (30) days prior to the next meeting of the Board of Directors, have his application submitted to and approved or disapproved by the vote of the Directors at such meeting. Any application not denied by the Board of Directors hereunder shall be deemed to have been accepted.

SECTION 1.04. Membership Fee and other Deposits or Fees. The membership fee shall be set by the Board of Directors. Upon payment of membership fee and any other deposits or fees required, the applicant shall be eligible for membership and service. A service connection deposit or fee in such amount as shall be prescribed by the Cooperative and any other deposits or fees required shall be paid by the member for each additional service connection requested by him, however, a member requesting more than one service connection shall not be charged for an additional membership fee.

SECTION 1.05. Termination of Membership. Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, but only after due hearing if such is requested by him, by the affirmative vote of not less than two-thirds of all members of the Board expel a member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules or regulations adopted by the Board. Any expelled member may be reinstated by the majority vote of the Board or by majority vote of the members at any annual or special meeting. The membership of any applicant who is not purchasing electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, shall be deemed an inactive member and shall have no voting rights until he is receiving electric service.

Upon the withdrawal, death, cessation of existing or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee, the amount of any debt or obligation owed by the member to the Cooperative.

SECTION 1.06. Service to Non-Members. With Board approval, the Cooperative may render service, upon the same terms and conditions as are applicable to members, to governmental agencies and political subdivisions and to other persons (non-members) who are non-members of the Cooperative to the extent of not more than 49% of the Cooperative's total business and provided further, that should the Cooperative acquire any electric facilities dedicated or devoted

to the public use it may, for the purpose of continuing service and avoiding hardship continue to service the persons directly from such facilities at the time of such acquisition without requiring that such persons become members and provided further that such nonmembers shall have the right to become members upon nondiscriminatory terms.

SECTION 1.07. Purchases of Electric Power and Energy; Power Production by Member, Application of Payment to All Accounts. The Cooperative shall use reasonable diligence to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof, and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership; unless and except to the extent that the Board of Directors may in writing waive such requirement, and shall pay therefore at the times, and in accordance with the rules, regulations, rate classifications and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative any payment by him for service from the Cooperative may at the discretion of the Cooperative be applied to any of his outstanding accounts.

SECTION 1.08. Excess Payment to be Credited as Member-Furnished Capital. All amounts paid for electric service in excess of the cost thereof shall be furnished by Members as capital, and each member shall be credited with the capital so furnished as provided in Article VII of these Bylaws.

SECTION 1.09. Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Programs. Each member grants to the Cooperative an easement or right-of-way over, on and under such lands owned or leased by or mortgaged to 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 other members or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities and shall, upon being requested to do so by the Cooperative, execute and deliver to the Cooperative grants of such easements or rights of way. The Board of Directors may expel from membership and/or discontinue electric service to any member who fails or refuses to comply with the provisions of this Bylaw. Each member shall participate in any required program and comply with related rates and service rules and regulations that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

ARTICLE II

Rights and Liabilities of Members

SECTION 2.01. Property Interest of Members. Upon dissolution of the Cooperative, after all debts and liabilities of the Cooperative shall have been paid, and, 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 eligible under law in the proportion which the aggregate patronage of each bears to the total patronage of all members, during the ten (10) years next preceding the date of the filing of the certificate of dissolution.

SECTION 2.02. Non-Liability for Debts of the Cooperative. The private property of the members shall be exempt from either 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.

SECTION 2.03. Membership Agreement. A Member shall: (1) comply with the Governing Documents; (2) provide and maintain a current mailing address and telephone number with the Cooperative; and (3) pay the Cooperative for the Cooperative's damages, costs, or expenses, including attorney fees and legal expenses, caused by or associated with the Member's failure to comply with the Governing Documents. If a Member fails to comply with the Governing Documents, then, as provided in these Bylaws, the Cooperative may suspend or terminate the Member or a Cooperative service provided to the Member. Regardless of whether money damages are available or adequate, the Cooperative may: (1) bring and maintain a legal action to enjoin the Member from violating the Governing Documents; and (2) bring and maintain a legal action to order the Member to comply with the Governing Documents.

The Articles and these Bylaws are contracts between the Cooperative and a Member. By becoming a Member, the Member acknowledges that: (1) Every Member is a vital and integral part of the Cooperative; (2) the Cooperative's successful operation depends upon each Member complying with the Governing Documents.

The "Governing Documents" are the written membership application signed by an Applicant or Member and the following documents and actions, all as currently existing or as later adopted or amended: (1) all Law regarding or affecting the Cooperative's property, property rights, and assets ("Assets"), the Cooperative's operation, the Cooperative's Members and Patrons, the Provision and Use of Cooperative Services, Cooperative Equipment, and Member Equipment connected to Cooperative Equipment; (2) the Articles; (3) these Bylaws; (4) the Cooperative's service rules and regulations; (5) the Cooperative's rate or price schedules; and (6) all rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or actions taken, adopted, promulgated, or approved by the Board of Directors.

ARTICLE III

Meeting of Members

SECTION 3.01. Annual Meeting. The annual meeting of the members shall be held during June each year, at such place in one of the counties in Kentucky within which the Cooperative serves, and beginning at such hour as the Board of Directors shall from year to year fix. However, the Board of Directors may in its discretion fix a different date for such annual meeting not more than sixty (60) days prior to or subsequent to the month otherwise established for such meeting by this Section. In the event of an emergency or other extraordinary reason beyond the control of the Cooperative the Board of Directors may cancel the annual meeting for that year and shall promptly provide notice and reason for cancellation to the members. The Cooperative shall, within a reasonable time following cancellation and the receipt and confirmation of all relevant information necessary for their completion, provide the members with written or electronic reports of the Cooperative's operations for the prior fiscal year from the President/Chief Executive Officer, Vice President of Finance (or equivalent) and any other relevant reports of officers, directors and committees. If cancellation occurs in a year where a Board of Directors election is held those Directors elected by the members shall assume office at the next regularly scheduled or special called monthly Board meeting following the later of certification of the election results by the Credentials and Elections Committee or June 1, notwithstanding that portion of Section 4.05 of these Bylaws setting Directors' terms. It shall be the responsibility of the Board of Directors to make adequate plans and preparations of the annual meeting and any special meeting. Failure to hold the annual meeting at the designated time and place or in a particular year due to emergency shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02. Special Meetings. A special meeting of the members may be called by the Board of Directors or by petition signed by not less than ten (10%) percent of the then-total members of the Cooperative, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.03. Such a meeting shall be held at such place in one of the counties in Kentucky within which the Cooperative serves, on such date, not sooner than thirty-five (35) days after the call for such meeting is made or a petition therefore is filed, and beginning at such hour as shall be assigned by him or those calling or petitioning for the same.

SECTION 3.03. Notice of Member Meetings. Written or printed notice of the place, date and hour of the meeting and, the purpose or purposes of said meeting shall be delivered to each member not less than five (5) days nor, except as provided in Article VII, more than forty-five (45) days prior to the date of the meeting, either personally or by mail, by or at the discretion of the Chairperson or the Secretary (or, in the case of a special meeting, at the direction of those calling

the meeting). Any such notice delivered by mail may be included with member service billings or as an integral part of or with the Cooperative's monthly newsletter and/or its monthly insert, if any, in Kentucky Living. If mailed, such notice shall be deemed to be delivered when deposited in the United State mail addressed to the member at his address as it appears on the records of the Cooperative, with postage thereupon prepaid and postmarked at least five (5) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and non-intended failure of any member to receive a notice deposited in the mail addressed to the members at his address as shown on the Cooperative's books shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting unless such attendance shall be for the express purpose of objection to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection.

SECTION 3.04. Quorum. Business may not be transacted at any meeting of the members unless there are present in person at least one (1%) percent of the then-total members of the Cooperative, except that, if less than a quorum is present at any meeting, a majority of those present in person may without further notice adjourn the meeting to another time and date not less than forty-five (45) days later and to any place in one of the counties in Kentucky within which the Cooperative serves; PROVIDED, that the Secretary shall notify any absent members of the time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03.

SECTION 3.05. Voting. Each member shall be entitled to only one vote upon each matter submitted to a vote any meeting of the members. At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation of these Bylaws. Members may not cumulate their votes.

SECTION 3.06. Proxies. At any meeting of the members of any adjournment thereof, any member may vote by proxy, but only if such proxy (a) is registered with the Secretary or his duly designated registrar before or at the time of the meeting or any adjournment thereof, (b) is executed by the member in writing and designates the holder thereof, which holder shall be a member who is a natural person, and (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof; PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In

the event a member executes two or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at the meeting or any adjournment thereof shall revoke any proxy or mailed vote theretofore executed, or mailed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. No member may vote as proxy for more than three members at any meeting of the members. Notwithstanding the foregoing provisions of this section, whenever a member is absent from a meeting of the members but whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member could vote if present in person, unless such members has given a written proxy to some other person eligible to vote such proxy.

SECTION 3.07. Credentials and Elections Committee. The Board of Directors shall consider before each annual or special meeting of members whether it is necessary to appoint a Credentials and Elections Committee, if the Board deems it necessary, because of contested matters on the agenda or other good cause. If the Board has determined the appointment of such Committee is necessary, the Board shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Elections Committee. The Committee shall consist of an uneven number of Cooperative members not less than three (3) nor more than five (5) who are not existing Cooperative employees, agents, officers, directors or known candidates for directors, and who are not close relations to or members of the same household of any such persons or members of the same household thereof. In appointing the Committee, the Board shall have regard for the equitable representation of the several areas 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 establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members in person, or by proxy or mailed vote, to count all ballots or other votes cast in any election or in any matter, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of directors (including but not limited to the validity of petitions of nomination or the qualifications of candidates and the regularity of the nomination and election of directors), and, to pass upon any protest or objection filed with respect to any election or conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following adjournment of, the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairperson, not less than seven (7) days after such protest or objection is filed. The committee shall hear such evidence as is presented by the protestor(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; 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, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Committee may not affirmatively act on any matter unless a majority of the Committee is present. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final.

SECTION 3.08. Agenda. No proposal from a member or group of members shall be voted upon at the Annual Meeting unless it has been placed on the agenda at least forty (40) days prior to the date of such meeting. Any legitimate proposal may be placed on the agenda by any member with a petition signed by two hundred (200) additional members supporting the proposal, by filing a copy of the proposal with the Secretary within the time allowed, with a request that it be submitted to the Annual Meeting for consideration.

SECTION 3.09. Order of Business. The order of business at the Annual Meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (1) Report on the number of members present in order to determine the existence of a quorum;
- (2) Reading of the notice of the meeting and proof of the due giving thereof, or of the waiver or waivers of notice of the meeting, as the case may be;
- (3) Consideration of approval of minutes of previous meetings of the members and the taking of necessary action thereon;
- (4) Presentation and consideration of reports of officers, directors and committees;
- (5) Election of Directors; (or reports on the election of directors);
- (6) Unfinished business;
- (7) New business as proposed with Section 3.08 Guidelines, and
- (8) Adjournment.

ARTICLE IV

Directors

SECTION 4.01. Number and General Powers. The business and affairs of the Cooperative shall be managed by a Board of seven (7) directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or Bylaws conferred upon or reserved to the members.

SECTION 4.02. Districts. To insure the distribution of Board members throughout the service Territory are served by the Cooperative, the Territory served or to be served by it shall be divided into districts and the number of directors to be elected from each are:

**NAME OF DISTRICT COUNTIES IN NUMBER OF
DISTRICT NUMBER DISTRICT DIRECTORS**

District Name	District Number	Description	Number of Directors
Pulaski – I	1	Pulaski Co, west of Hwy 27 and South of LBN Parkway	1
Russell	2	Greater Russell Co and Adair Co	1
Pulaski-2	3	Pulaski Co, east of Hwy 39, 27, and 1247 including Rockcastle Co	1
Wayne	4	Northern Wayne Co, south of Lake Cumberland, including small portion of Pulaski Co.	1
Clinton	5	Clinton Co & Southern Wayne Co, south and west of Hwy. 92, including small portions of Russell Co & Pickett Co (TN)	1
McCreary	6	McCreary Co, portion of Southern Pulaski Co, (including Burnside), and small portion of Scott Co (TN)	1
Casey-Lincoln	7	Casey Co, Lincoln Co, and Pulaski Co, north of LBN Parkway and Hwy 452, west of Hwy 39	1

Not less than sixty (60) days before any meeting of the members at which Board members are to be elected, the Board shall review the composition of the seven districts, and if it finds the best interests of the Cooperative and its members will be served thereby, shall reconstitute the districts as soon as practicable.

SECTION 4.03. (a) General Director Qualifications. To become and remain a Director, a person must strictly comply with the following general qualifications ("General Director Qualifications"):

- (1) be an individual;
- (2) have the capacity to enter into legally binding contracts;
- (3) obtain legibly printed names, service addresses and signatures of at least two-hundred (200) members on a petition in support of his/her placement on the ballot for election as a Director, provided, however, that an individual who is currently serving as a Director having been elected in the immediately preceding election for the same District for which he/she seeks reelection is exempted from this provision and need not obtain any signatures or submit a petition in support of his/her placement on the ballot for election. If any portion of a member's identifying information provided above is missing or illegible it will not be considered in support of the candidate's petition;
- (4) not have been previously removed or disqualified for failing to comply with the General Director Qualifications while serving as Director;
- (5) before becoming a Director, graduate from high school or earn an equivalent degree or certification;
- (6) while a Director, or prior to becoming a Director, not be convicted of, or pleaded guilty to, a felony;
- (7) while a Director, and prior to becoming a Director, not have a final judgment entered against them involving civil fraud, ethical violations, discrimination and/or acts of harassment;
- (8) while a Director, and prior to becoming a Director, not be nor have been a debtor in a personal or business-related federal bankruptcy proceeding or a similar proceeding under applicable state law such as insolvency, liquidation, receivership, reorganization, or assignment for the benefit of creditors;
- (9) while a Director, and seven years immediately before assuming office as a Director, not be nor have been a party to a foreclosure or other proceeding (judicial or non-judicial, personal or business related), which proceeding is or was instituted because of the Director's default on indebtedness;
- (10) 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 two (2) years of becoming a Director and after becoming a Director, participating in and complete required director training as established by the Board of Directors;

(11) except as otherwise provided by the Board for good cause shown, attend at least seventy-five percent (75%) of properly noticed Regular and Special Board Meetings, Committee Meetings and Board Telephone /Video Conference Meetings during each rolling twelve (12) month period;

(12) except as otherwise provided by the Board of Directors for good cause shown, not miss more than two (2) consecutive properly noticed Regular Board Meetings;

(13) while a Director, must 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

(14) comply with any other reasonable qualifications determined, made, adopted, amended, and/or promulgated in policies or rules of the Cooperative, not inconsistent with law, the Articles of Incorporation, regulations, or these Bylaws.

(b) **Membership Director Qualifications.** To become and remain a Director, an individual must strictly comply with the following membership qualifications ("Membership Director Qualifications"):

(1) while a Director and during the one year immediately before assuming office as a Director:

- a. be an unsuspended member as defined in Section 1.02; and,
- b. permanently reside, and use electric energy provided by the Cooperative, at the individual's principal residence as defined under federal tax law 26 C.F.R. § 1.121-1(a) (2). Said residence must be within the Director District from which the Director is nominated, elected or appointed.

(c) **Independence Director Qualifications.** To become and remain a Director, an individual must strictly comply with the following independence qualifications ("Independence Director Qualifications"):

(1) annually complete and sign an independence certification and disclosure form approved by the Board;

(2) not be nor have been, nor be a close relative (Section 4.04) of, an employee of the Cooperative or an employee of an entity controlled by

the Cooperative or in which the Cooperative owns a majority interest ("Cooperative Subsidiary");

- (3) while a Director and during the one (1) year immediately before assuming office as a Director, not be an employee of an entity in which the Cooperative is a member or owner;
- (4) while a Director and during the one (1) year immediately before assuming office as a Director, not hold or have held, either by election or appointment, any one or more of the following elective offices or positions: U.S. President/Vice President; U.S. Senate; U.S. House of Representatives ; Governor/Lieutenant Governor; Attorney General; Secretary of State; Auditor of Public Accounts; State Treasurer; Commissioner of Agriculture; State Senate; State House of Representatives; State Supreme Court Justice; State Court of Appeals Judge; Circuit Court Judge; District Court Judge; Commonwealth's Attorney; Circuit Court Clerk; County Judge/Executive; County Clerk; County Attorney; Sheriff; Jailer; Coroner; Property Valuation Administrator; Surveyor; Magistrate/Justice of the Peace; County Commissioner ; Constable; Soil and Water Conservation District Supervisor; Mayor; City Legislative Body (i.e., City Commissioners and Council Members); and/or Member of a Board of Education;
- (5) during the five (5) years immediately before assuming office as a Director, not have been a Director or close relative of a then-existing Director. Nothing herein shall serve or be interpreted to disqualify an incumbent Director from seeking re-election;
- (6) while a Director and during the one year immediately before assuming office as a Director, not have been employed by, materially affiliated with, or receive more than ten (10) percent of annual gross income from, an entity for which another Director controls, owns more than ten (10) percent, or is a director or officer;
- (7) while a Director and during the one year immediately before assuming office as a Director, not have been a director, officer, employee, or agent of a union or other entity representing, or seeking to represent, Cooperative employees regarding the terms and conditions of employment with the Cooperative;
- (8) while a Director and during the one year immediately before assuming office as a Director, not receive or have a Close Relative that receives more than ten (10) percent of annual gross income, other than insurance, retirement income or Director compensation, directly or indirectly from the Cooperative, a Cooperative Subsidiary, or an employee of the Cooperative or a Cooperative Subsidiary;

- (9) while a Director and during the one year immediately before assuming office as a Director, not advance or have a Close Relative that advances the Director's financial interest by providing a good or service similar to a good or service provided by the Cooperative or a Cooperative Subsidiary;
- (10) while a Director and during the one year immediately before assuming office as a Director, not be employed by, control, own more than ten (10) percent of, serve as a director or officer of, or receive more than ten (10) percent of annual gross income from an entity that:
 - a. advances the entity's financial interest by providing a good or service similar to a good or service provided by the Cooperative or a Cooperative Subsidiary;
 - b. employs more than five (5) percent of Members; or
 - c. receives more than ten (10) percent of its annual gross income directly or indirectly from the Cooperative or a Cooperative Subsidiary.

(d) **Director Disqualification.** After being elected, designated, or appointed, if a Director does not comply with all General Director Qualifications, Membership Director Qualifications, and Independence Director Qualifications (collectively, "Director Qualifications") existing when the Director was elected, designated, or appointed, then, except as otherwise provided by the Board for good cause, the Board shall disqualify the Director and the individual is no longer a Director if:

- (1) the Board notifies the Director in writing or electronically of the basis for, and provides the Director an opportunity to comment regarding, the Board's proposed disqualification; and
- (2) within thirty (30) days after the Board notifies the Director of the proposed disqualification, the Director neither complies with nor meets the Director Qualification.

If a majority of Directors authorized by these Bylaws complies with the Director Qualifications and approves a Board action, then the failure of a Director to comply with the Director Qualifications does not affect the Board action.

SECTION 4.04. "Close Relative" Defined. As used in these Bylaws, "close relative" shall mean spouse, father, mother, son, daughter, brother, sister, uncle, aunt, nephew, niece, grandmother, grandfather, grandchild or unmarried cohabitant. Foster-, half-, step-, adoptive-, and in-law variations of the foregoing relationships are also considered to be a "close relative" for purposes of this section.

SECTION 4.05. Election-Tenure. Board members shall be elected by ballot, in the event of a contested election. Otherwise, board members may be elected by ballot, voice, hand, or other suitable means. Board members shall be elected by the members-at-large at the Annual Meeting of members, or at a special meeting thereof held for that purpose within a reasonable time thereafter, or by some other reasonable and recognized method intended to promote participation by both candidates and members. They shall serve for terms of four (4) years each, with each term beginning on June 1 of the year of their election (date of assumption of office) and ending on May 31 of the fourth year.

Board members of Districts 2, 3 and 6 shall be elected in 2015 and each fourth year thereafter. Board members for Districts 4 and 7 shall be elected in 2016 and each fourth year thereafter. Board members for Districts 1 and 5 shall be elected in 2017 and each fourth year thereafter.

The Credentials and Elections Committee shall be responsible for the coordination and oversight of all board member elections. Regardless of the manner in which an election is conducted (i.e. , vote at annual meeting or special meeting , or some other reasonable method) the Credentials and Elections Committee shall decide upon a reasonable election structure meant to promote an open and fair election and one which encourages participation by the members , both as candidates and voters. Whatever election structure is chosen, the Credentials and Elections Committee must provide notice of the election and its terms to the members at least 30 days before the deadline set by the Committee for prospective candidates to declare their candidacy. Such notice shall be by mail and may be included with member service billings or as an integral part of or with the Cooperative's monthly newsletter and/or its monthly insert, if any, in Kentucky Living Magazine.

The Credentials and Elections Committee shall, in determining a prospective candidate's eligibility to be placed on the ballot for election as board member, at all times be governed by Section 4.03 of these Bylaws regarding director qualifications.

Each member of the Cooperative shall be entitled to cast one (1) vote for each vacancy to be filled; however, cumulative voting shall not be permitted.

The following ballots shall not be counted:

1. Unmarked ballots.
2. Ballots marked for more candidates than vacancies to be filled.
3. Ballots marked for more than one candidate for any one (1) vacancy.
4. Ballots other than the official ballot mailed.
5. Ballots arriving late.

The following ballots may be counted:

1. Ballots on which the mark is not in the place provided, but does show the intention of the voter.

2. Ballots on which there is an erasure or change of intention shown, but the Credentials and Elections Committee is of the opinion that the ballot has not been tampered with.

The Credentials and Elections Committee shall certify the number of votes received by each candidate. A final report shall be delivered by the Chairperson of the committee to the Chairperson of the Cooperative's Board, who will announce the results at the Annual Meeting.

The person nominated for Director in his district, receiving the highest number of votes as certified by the Credentials and Elections Committee, is the person elected. If more than one person receives the same number of votes, the Credentials and Elections Committee shall at a meeting at a time and place to be fixed by them, at which due notice shall be given to the nominees, cause the nominees or their representatives, or in the absence of a nominee or his representatives, some person designated by the Credentials and Elections Committee to draw for the office and the person drawing the slip marked "elected" shall be the person elected.

SECTION 4.06. Removal of Directors by Members. Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition signed by not less than ten (10%) percent of the then-total members of the Cooperative, which petition calls for a special member meeting the stated purpose of which shall be to hear and act upon such charge(s) and, if one or more directors are recalled, to elect their successor(s), and which specified the place, time and date thereof not sooner than twenty-five (25) days after the filing of such petition or requests that the matter be acted upon at the subsequent annual member meeting will be held not sooner than twenty-five (25) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(s) of the member(s) filing such charge(s) and a verbatim statement of such charge(s) is (are) being made. The petition shall be signed by each member in the same name as he is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than ten (10) days prior to the member meeting at which the matter will be acted upon; PROVIDED, that the notice shall set forth (in alphabetical order) only twenty (20) of the names of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the same director(s). Such director(s) shall be informed twenty (20) days prior to the meeting of the members at which the charges(s) are to be considered, and shall have the opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be

considered and voted upon at such meeting, and any vacancy created without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor. PROVIDED, that the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents or otherwise. A newly elected director shall be from or with respect to the same Directorate District as was the director whose office he succeeds and shall serve the unexpired portion of the removed director's term.

SECTION 4.07. Vacancies. Subject to the provisions of these Bylaws with respect to the filing of vacancies caused by the removal of Directors by the Members, or by the death, disability, or other incapacity of a Director, a vacancy occurring in the Board of Directors shall be filled by the Board of Directors. A Director thus elected shall serve out the unexpired term of the Director whose office was originally vacated and until a successor is elected and qualified; PROVIDED, that such Director shall be from or with respect to the same directorate district as was the Director whose office was vacated. Vacancies shall be filled within a reasonable time, with due consideration given to the facts and circumstances surrounding the occurrence of the vacancy.

SECTION 4.08. Compensation; Expenses. A Director is not an employee of the Cooperative. As determined or approved by the Board, however, the Cooperative may fairly compensate Directors a fixed fee and expenses for attending a meeting, function, or event involving, relating to, or reasonably enhancing the Director's ability to serve in the role of Director and meet their fiduciary obligation. The Board must determine or approve the manner, method, and amount of any Director Compensation and expenses.

SECTION 4.09. Rules, Regulations, Rate Schedules and Contracts. The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate classifications, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulations of the business and affairs of the Cooperative.

SECTION 4.10. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and conditions, and shall, after the close of the fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial conditions as of the end of, such year. A full and accurate summary of such audit reports shall be published in the Kentucky Living Magazine or presented to the members at or prior to the succeeding Annual Meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

SECTION 4.11. East Kentucky Power Cooperative and Kentucky Association of Electric Cooperatives. The Board of Directors shall elect one of its Directors to serve as the Cooperative's representative on the Board of Directors of East Kentucky Power Cooperative ("EKPC") and another one of its directors to serve on the Board of Directors of the Kentucky Association of Electric Cooperatives ("KAEC"). Because of the significant amount of time and travel necessary to become familiar with the responsibilities, activities and subject matter of these positions, and to establish and maintain continuity of service, a board member selected shall serve a term of four (4) consecutive years, unless such board member voluntarily determines that he can no longer serve at which time the Board of Directors shall select another board member to serve for a new four (4) year term. Incumbent directors shall be permitted to succeed themselves for as many terms as the Board of Directors deems appropriate. If a director ceases to be a Cooperative director before his term on either the EKPC or KAEC board expires, the Board of Directors shall select a replacement director who shall serve for a new four (4) year term.

ARTICLE V

Meetings of Directors

SECTION 5.01. Regular Meetings. A regular meeting of the Board of Directors shall be held monthly at such date, time and place in one of the counties in Kentucky within which the Cooperative serves as the Board shall provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice; PROVIDED, that any director absent from any meeting of the board at which such a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board; AND PROVIDED FURTHER, that, if a policy thereof is established by the Board, the Chairperson may change the date, time or place of a regular monthly meeting for good cause and upon not less than five (5) days' notice thereof to all directors.

SECTION 5.02. Special Meetings. A special meeting of the Board of Directors may be called by the Chairperson or by a quorum of Directors then in office, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03. The Board, the Chairperson, or the Directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties of Kentucky within which the Cooperative serves, unless all Directors consent to its being held in some other place in Kentucky or elsewhere. Special meetings, upon prior notice as otherwise provided in Section 5.03, may also be held via telephone conference call or other telephonic or electronic means including computer e-mail, without regard to the actual location of the Directors at the time of such a telephone conference meeting, or other telephonic or electronic means including computer e-mail, if all the Directors consent thereto.

SECTION 5.03. Notice of Directors' Meetings. Written notice of the date, time, place or telephone conference call, or other telephonic or electronic means including computer e-mail, and purpose or purposes of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each Director not less than five (5) days prior thereto, either personally or by mail or by computer e-mail, by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by him or those calling it in the case of a special meeting or by any Director in the case of a meeting whose date, time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Director at his address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. The attendance of a Director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

SECTION 5.04. Quorum. The presence in person of a majority of the Directors in office shall be required for the transaction of business and the affirmative votes of a majority of the Directors present and voting shall be required for any action to be taken; PROVIDED, that a Director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of Directors in office or present; AND PROVIDED FURTHER, that, if less than a quorum be present at a meeting, a majority of the Directors present may adjourn the meeting from time to time, but shall cause the absent Directors to be duly and timely notified of the date, time and place of such adjourned meeting.

SECTION 5.05. Board Action by Written Consent. Without a Board meeting, the Board may take any action required, or permitted, to be taken at any Board meeting if the action is taken by all Directors as evidenced by their written consent which can be accomplished by computer e-mail.

ARTICLE VI

Officers; Miscellaneous

SECTION 6.01. Number and Title. The officers of the Cooperative shall be a Chairperson, Vice Chairperson, Secretary and Treasurer, and such other officers as may from time to time be determined by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person. The above officers shall be Board members.

SECTION 6.02. Election and Term of Office. The four officers named in Section 6.01 shall be elected by secret written ballot, annually and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the Annual Meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter

as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding Annual Meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of the Bylaws with respect to the removal of Directors and to the removal of officers by the Board of Directors. Any other officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

SECTION 6.03. Removal. Any officer, agent or employee elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served.

SECTION 6.04. Vacancies. A vacancy in any office elected or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term.

SECTION 6.05. Chairperson. The Chairperson shall:

(a) be the principal executive officer of the Board of Directors and shall preside at all meetings of the Board of Directors, and unless determined otherwise by the Board of Directors, at all meeting of the members;

(b) sign, with the Secretary, deeds, mortgages, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these 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 President and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 6.06. Vice Chairperson. In the absence of the Chairperson, or in the event of his inability or refusal to act, the Vice Chairperson shall perform the duties of the Chairperson, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairperson; and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.07. Secretary. The Secretary shall:

(a) keep, or cause to be kept, the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with these Bylaws or as required by law;

(c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed 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 or is required by law;

(d) have general charge of all the Cooperative's books and records; and,

(e) in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.08. Treasurer. The Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Cooperative; and,

(b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or banks or in such financial institutions or securities as shall be selected in accordance with the provisions of these Bylaws; and (c) in general perform 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 6.09. Delegation of Secretary's and Treasurer's Responsibilities.

Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer herein before provided in Sections 6.07 and 6.08, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such 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 as such shall be released from such duties, responsibilities and authorities.

SECTION 6.10. Other Officers. The Board of Directors may appoint a President and Chief Executive Officer who shall assume the position formerly known as the General Manager, a VP - Engineering and Operations, a VP - Member Services and Public Relations and a VP - Finance who shall perform all duties, shall have all responsibilities, and may exercise all authority prescribed by the Board. The same individual may simultaneously hold more than one office. These officers are not required to be members of the Cooperative.

SECTION 6.11. Bonds. The Board of Directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

SECTION 6.12. Indemnification of Officers, Directors, Staff Employees and Agents. The Cooperative shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding whether civil, criminal,

administrative or investigative (other than an action by, or in the right of, the Cooperative) by reason of the fact that such person is or was a director, officer, staff employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, staff employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including all costs of defense), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person 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 the conduct of such person was unlawful. The termination of any action, suit or proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

To the extent that a director, officer, staff employee or agent of the Cooperative has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in the above paragraph, (and, in addition, actions by or in the right of, the Cooperative) of any claim, issue or matter therein, such person shall be indemnified against expenses (including all costs of defense) actually and reasonably incurred by such person in connection therewith.

The indemnity herein provided shall be co-extensive with those authorized under Kentucky Revised Statute Chapter 271B and shall be effective in accordance with all of the terms and conditions of such statute.

The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, staff employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, staff employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of the status of such person as such, whether or not the Cooperative would have the power to indemnify such person against such liability under the provisions of this Bylaw.

SECTION 6.13. Reports. The Cooperative shall submit at each Annual Meeting of the member's reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII

Non-Profit Organization

SECTION 7.01. Interest of Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative nonprofit 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. (Deposits are not to be construed as Capital furnished for purpose of this Section).

SECTION 7.02. 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 shall equitably allocate to each Patron, in proportion to the value of the Cooperative service used by the Patron during the fiscal year, and timely paid for by the Patron, earnings 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 are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to allocate by 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 the pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts of capital.

All other amounts received by the Cooperative as non-operating earnings 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, may, as determined by the Board, be used, retained, or equitably allocated to its patrons in proportion to the value of Cooperative service used by the Patron during the fiscal year, and timely paid for by the Patron. Any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

Notwithstanding the above requirement concerning the allocation of capital on a patronage basis to patrons in proportion to the value of the Cooperative service used by the Patron during the fiscal year, and timely paid for by the Patron, the Board of Directors shall have the discretion, on a case-by-case basis, to deviate from the requirement and amortize over a reasonable number of years any adjustment related to a cumulative effect of accounting principle change, consistent with generally accepted accounting principles, and required to be booked as patronage capital from operations. Such action shall only be taken by written Resolution of the Board of Directors fully explaining the details and justification for the deviation.

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 at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such 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 then credited to patron's accounts may be retired in full or in part. Any such retirements of capital shall be made as determined from time to time, by the Board of Directors.

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 successor in occupancy in all or a part of each patron's premises served by the Cooperative, unless the Board of Directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the Board of Directors shall at its discretion have the power at any time upon the death of any patron who was a natural person (or, if as so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a patron, which assignee was a natural person), if the legal representative of his estate shall request in writing that the capital so credited or assigned, as the case may be, be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire such capital immediately upon such terms and conditions as the Board of Directors, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon; PROVIDED, however, that the financial condition of the Cooperative will not be impaired thereby.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the cooperative, (and may deduct interest thereon at the Kentucky legal rate on judgments in effect when such amount became overdue, compounded annually).

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

ARTICLE VIII

Disposition and Pledging of Property; Distribution of Surplus Assets on Dissolution

SECTION 8.01. Disposition and Pledging of Property.

(1) Not inconsistently with Kentucky Revised Statutes, Section 279.140, the Cooperative may authorize the sale, lease, or other disposition of any of the Cooperative's properties and assets only upon the affirmative votes of a majority of the then members of the Cooperative at a duly held meeting. (2) The board may sell any of the following property without authority from the members:

(a) Property that is not necessary in operating and maintaining the system, but sales of such property shall not in any one year exceed ten percent in value of all the property of the Cooperative other than merchandise and property acquired for resale;

(b) Services and electric energy;

(c) Property acquired for resale; and

(d) Merchandise.

SECTION 8.02. Distribution of Surplus Assets on Dissolution. Upon the Cooperative's dissolution, any assets remaining after all liability or obligations of the Cooperative have been satisfied and discharged shall, to the extent practicable as determined by the Board of Directors, be distributed without priority but on an equal basis among all persons who were active members on the last day at business of the Cooperative. PROVIDED, HOWEVER, that if in the judgment of the board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation.

ARTICLE IX

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 X

Financial Transactions

SECTION 10.01. Contracts. Except as otherwise provided by law or these Bylaws, the Board of Directors may authorize any Cooperative officer, agent or employee 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 or countersigned by such officer, agent or employee of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 10.03. Deposits, Investments. All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the Board of Directors may select.

SECTION 10.04. Fiscal year. The Cooperative's fiscal year shall begin on the first day of the month of January of each year and end on the thirty-first day of December of the same year.

ARTICLE XI

Waiver of Notice

Any member or director may waive, in writing, any notice of meetings required to be given by these Bylaws.

ARTICLE XII

Amendments

These Bylaws may be altered, amended or repealed by the majority vote of the Board of Directors at any regular or special Board Meeting; or by unanimous written consent of the Directors without a meeting.

ARTICLE XIII

Rules of Order

Unless the Board of Directors determines otherwise at any time, and consistent with applicable law, the Articles of Incorporation or these Bylaws, parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the members of the Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order.

ARTICLE XIV

Gender

GENDER: Any inclusion in these Bylaws of the male pronouns, he or his, is fully intended to and shall, where applicable, be deemed to necessarily include and apply equally to the feminine gender pronouns, she or hers.

I, **Greg Beard**, Secretary of South Kentucky Rural Electric Cooperative Corporation, do hereby certify that the above is a true and correct copy of the By-Laws as adopted by the Board of Directors at a meeting duly and regularly held on May 14, 2020; and as amended through the datesigned.

Date: May 14, 2020


Greg Beard, Secretary

Version Date: May 14, 2020