

BYLAWS  
OF  
BLUE GRASS ENERGY COOPERATIVE CORPORATION

ARTICLE I  
MEMBERSHIP

Section 1. Requirements for Membership. Any person, partnership (but excluding partnerships controlled under Article I, Section 3-b), association, corporation, or body politic or subdivision thereof will become a member of Blue Grass Energy Cooperative Corporation, (hereinafter called the "Cooperative"), proved that he or it has first:

- a. made a written application for membership therein;
- b. agreed to purchase from the Cooperative electric energy as hereinafter specified, and be receiving electric service from the Cooperative;
- c. agreed to comply with and be bound by the Articles of Consolidation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors, and
- d. the legal capacity to enter into a binding contract, and

Notwithstanding that a person, partnership (but excluding partnerships controlled under Article I, Section 3-b), associations, corporation, or body politic may have made application for more than one service connection as provided in Section 5 of this Article, no member shall have more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these Bylaws.

Section 2. Membership Application. Membership in the Cooperative shall be evidenced with a copy of the membership application that shall be in such form and shall contain such provisions as shall be determined by the Board of Directors. No membership application shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid.

Section 3. Joint Membership. Members who are legally married may constitute a joint membership and subject to their compliance with the requirements set forth in Section 1 of this Article, shall be accepted for such membership. The terms member, applicant, person, his and him, as used in these Bylaws shall be deemed to include legally married couples and any provisions relating to rights and liabilities of membership, shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- a. the presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- b. the vote of either separately or both jointly shall constitute one joint vote, or act, or one joint act; except, that each partner of a partnership (including a legally married couple) shall have one (1) vote each if each partner or spouse owns an interest individually and jointly with a partner in a property served by the cooperative and each partner or spouse is a separate member of the Cooperative.
- c. a waiver of notice signed by either or both shall constitute a joint waiver;
- d. notice to either shall constitute notice to both;
- e. expulsion of either shall terminate the joint membership;
- f. withdrawal of either shall terminate the joint membership;
- g. either but not both may be elected or appointed as an officer or director; provided that the candidate or appointee meets the qualifications of such office.

Section 4. Conversion of Membership.

- a. A membership may be converted to a joint membership upon the legal marriage of the holder thereof.
- b. Upon the death of either person in a legal marriage who is a party to the joint membership, such membership may be held solely by the survivor.

Section 5. Membership Fee and Other Deposits or Fees. Any person, partnership, association, corporation or body politic who makes application to and receives electric service from the Cooperative, shall pay a membership fee of \$25.00, provided, however, that an additional fee as determined by the Board shall be required for each additional service connection.

No former member of the Cooperative who is indebted to the Cooperative shall be readmitted to the membership except upon the payment of any outstanding account plus accrued interest thereon at the Kentucky legal rate in effect when such accounts first become overdue, compounded annually, plus any security deposit, service fee, facilities extension deposit or contribution in aid to construction.

Section 6. Purchase of Electric Power and Energy; Power Production by Member; Application of Payments 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 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 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.

Production 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 Board of Directors. When the member has more than one service connection from the Cooperative, any payment by him for service from the Cooperative shall be deemed to be allocated and credited on a pro rata basis to his outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and pro-ration.

Section 7. Termination of Membership.

- a. Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors may, but only after due hearing if such is requested by the member, by the affirmative vote of not less than two-thirds (2/3) of all the members of the Board of Directors, expel any member who fails to comply with any of the provisions of the Articles of Consolidation, Bylaws, or Rules and Regulations adopted by the Board of Directors. Any expelled member may be reinstated by vote of the Board of Directors or by vote of the members at any annual or special meeting. The membership of a member who, for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be cancelled by resolution of the Board of Directors.

- b. Upon the withdrawal, death, cessation of existence 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.

Section 8. Wiring of Premises; Responsibility therefore; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification. Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the National Electrical Code and any applicable state code or local government ordinances. Each member shall be responsible for and shall indemnify the Cooperative, its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in, or improper use or maintenance of such premises and all wiring apparatus connected thereto or used thereon. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for furnishing and metering electric service and at all reasonable times shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source for reading the meter, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnecting of such facilities. As partial consideration for service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of, or causing damage to, such facilities, and shall use his best efforts to prevent others from so doing. In the event such facilities and their operation are interfered with, impaired or damaged by, the member, or by any other person on the premises, the member shall indemnify the Cooperative, its employees, agents and independent contractors against death, injury, loss or damage resulting there from, including, but not limited to the Cooperative's cost of repairing, replacing or relocating such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. In no event shall the responsibility of the Cooperative for furnishing electricity extend beyond the point of delivery.

Section 9. Access to Land and Premises. Without being paid compensation therefore each member shall grant and give to the Cooperative free access onto his, her or its 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 and premises, or removing there from its electric distribution system, new or existing lines, wires, poles, anchors, and other necessary or appurtenant parts thereof provided, however, any extensions shall be located along existing exterior boundary lines and interior fence lines when feasible. Any unusual or excessive use of lands are to be compensated for, which compensation shall be voted upon by a majority vote of the Board of Directors. The Board of Directors, after due hearing, may expel from membership and/or discontinue electric service to any member who fails or refuses to comply with the provisions of this Bylaw.

## ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

Section 1. Non-Liability for Debts of the Cooperative. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III  
MEETING OF MEMBERS

Section 1. Annual Meeting. The annual meeting of the members shall be held annually on a date set by the Board of Directors at such place within a county served by the Cooperative, as selected by the Board of Directors and which shall be designated in the notice of the meeting, for the purpose of reporting on the election of directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings. Special meetings of the members may be called by resolution of the Board of Directors, or upon written request signed by a majority of the directors, or by ten per centum or more of all members, and it shall thereupon be the duty of the Secretary to cause notice of such meetings to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties served by the Cooperative as designated by the Board of Directors and shall be specified in the notice of the special meeting.

Section 3. Notice of Members' Meetings. Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, including an agenda, shall be delivered not less than ten (10) days or more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon default in duty by the Secretary, by the persons calling the meeting, to each member. Such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the address as it appears on the records of the Cooperative with postage thereon prepaid. The failure of the member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at such meeting. Notice published in Kentucky Living or any other Cooperative publication shall be adequate notice of member meetings.

Except as otherwise provided in these bylaws or applicable law, no matter shall be considered at the annual meeting unless it has been placed on the agenda at least 120 days prior to such meeting. Any legitimate matter may be placed on the agenda by any member by filing a copy or summation of the matter with the Secretary within the time allowed with a request it be submitted to the Annual Meeting for consideration.

Section 4. Quorum. A quorum for the transaction of business at meeting of the members shall be the lesser of one half percent (1/2%) of the total number of members as reported on the Financial and Statistical Report of RUS Form 7 as of December 31 of the calendar year preceding the Annual Meeting, or two hundred and fifty (250) members present in person for the transaction of business at all meetings of the members. In case of a joint membership, the presence at a meeting of either participant in a legal marriage or both shall be regarded as the presence of one member.

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 (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 of this Article.

Section 5. Voting.

- a. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by vote of a majority of the members voting thereon in person, unless otherwise provided in the Bylaws, Articles of Consolidation, or other applicable law. There shall be no voting by proxy.
- b. Except in director election, any member qualified to vote on a matter submitted to the membership for vote, who has not been declared mentally disabled by a Court of competent jurisdiction, and who, on account of age, infirmity or illness, is not able to appear at the meeting at which the vote shall be taken, may vote in the following manner:
  1. At least ten (10) days prior to the date of the meeting and prior to the close of normal business hours, the member may present to any person in the administrative staff at the Cooperative headquarters, or at a district office, by mail or in person, his or her application for an absentee ballot containing a verified statement that his or her inability to appear at the meeting is due to age, infirmity, or illness.
  2. Upon receipt of the application, the administrative staff person shall immediately mail to the member an absentee ballot, along with an envelope addressed to the Cooperative headquarters or district office, as the case may be, and a smaller, plain envelope.
  3. The member shall mark the ballot, seal it in the smaller, plain envelope, place the plain envelope in the outer envelope addressed to the Cooperative, and mail it to the Cooperative headquarters, or district office, as the case may be. The member shall sign the outer envelope in order to validate the ballot.
  4. Upon receipt of the return envelope, the administrative staff person shall verify the signature on the outer envelope to validate the ballot, and shall then deposit the plain, inner envelope containing the ballot in the ballot box, or some other secure container, to be counted in the pending vote.
  5. In order to be counted, the ballot shall be received by the administrative staff person by the close of business on the last business day prior to the date of the member vote.
- c. Notwithstanding any other provision of these Bylaws, all voting for nominees or candidates for director shall exclusively by mail ballot personally marked by an eligible member and in compliance with the Bylaws. No cumulative voting shall be permitted as to election of the Board, but each member shall have the right to vote for one director in each district in which a director is to be elected.

Section 6. Order of Business. The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meetings:

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. 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.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation of reports of officers, directors, and committees.
5. Report on election of directors.
6. Agenda items files under Section 3 of Article III.

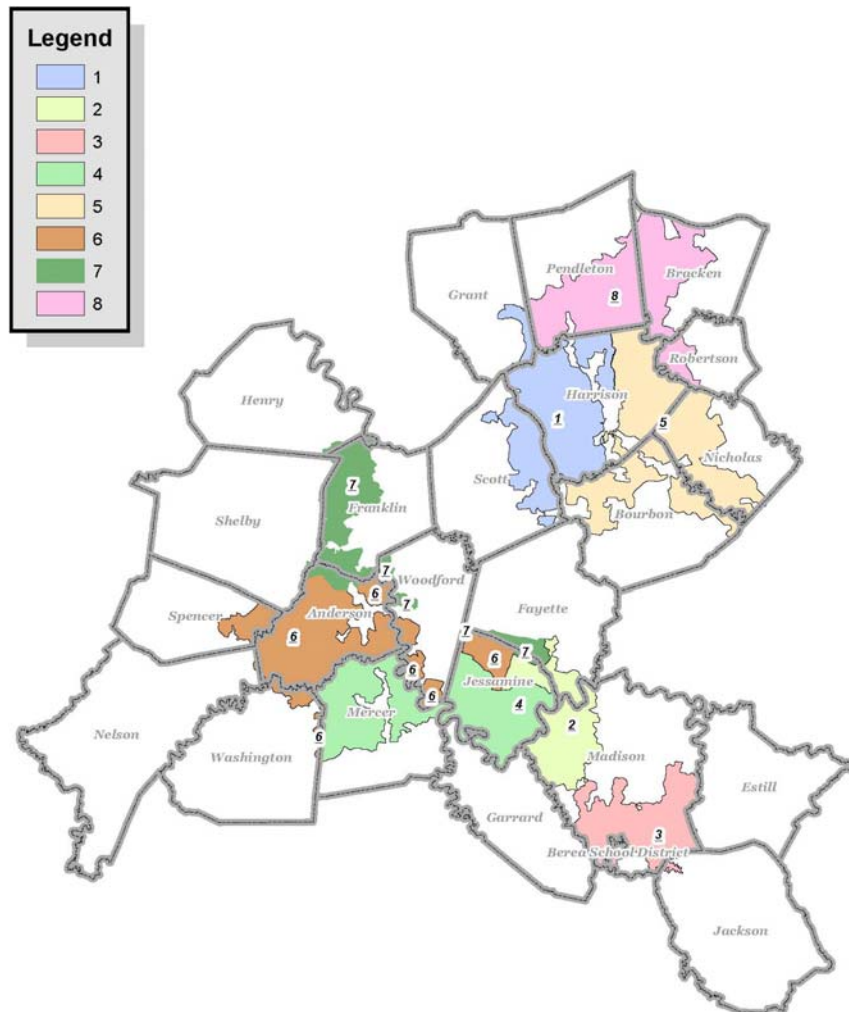
7. Other information.
8. Adjournment.

## ARTICLE IV BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Cooperative shall be managed by a Board of Directors of not less than five (5) directors which shall exercise all the powers of the Cooperative except such as the Bylaws or The Articles of Consolidation of the Cooperative confer upon or reserve to the members. One director shall be elected from each of the districts set forth in Section 2.

Section 2. Districts. The Cooperative shall be divided into eight (8) territorial districts according to a plat attached herewith and all Board of Directors or nominees for the office of director shall be members and residents of their respective districts, provided, however,

1. That each district shall have one (1) director, and
2. That the entire membership shall retain the right to nominate by petition and vote for directors in all districts.
3. The effective date of the change in number of districts shall be December 13, 2012.



**Board Districts - Blue Grass Energy**

4. Director elections for each district shall be conducted at the following annual meetings:

2013	District 4
2014	Districts 1, 3 and 7
2015	Districts 2, 6 and 5
2016	District 8

All duly elected directors existing on December 13, 2012 shall remain in office to serve the remaining balance of the terms for which each was elected.

Section 3. Election and Tenure. All directors shall be elected for terms of four (4) years beginning at the next regular meeting of the Board of Directors which shall be held not later than the month following the Annual Meeting at which each director is elected.

To comply with Section 279.080 of the Kentucky Revised Statutes, as amended by the 1982 Legislature, and to insure secrecy and anonymity of ballots cast in the election of directors, the election of directors shall be conducted by mail ballot as set forth in these Bylaws; provided, however, that if a nominee of the Nominating Committee is the only nomination for the position of director in a district and no nominating petitions have been filed with the Secretary as provided in these Bylaws, then the Secretary shall so certify and will so announce at the Annual Meeting and such nominee or nominees shall be deemed elected to the Board of Directors without the necessity of a mailed ballot. No write-in votes shall be permitted in election of directors.

The Secretary shall mail with the notice of the meeting a statement of the number of directors to be elected and showing separately the nominations made by the Committee or nomination and nominations made by petition, if any.

Section 4. Qualifications. To become or remain a member of the Board of Directors of the Cooperative a person must comply with the following qualifications:

- a. Be an individual.
- b. Have the capacity to enter into legally binding contracts.
- c. Graduate from high school or receive general education degree (GED) before becoming a director.
- d. Be a member and bona fide resident of the directorate district served by the Cooperative.
- e. Be a member of the Cooperative for at least three (3) years prior to becoming a director.
- f. Be willing to promote and safeguard the interests of the Cooperative among the members and the general public.
- g. Represent the membership on an impartial basis for the good of and in the best interest of the entire Cooperative.
- h. Must not be an employee, former employee, retired employee; or an employee or former employee or retired employee of the former Cooperatives that have consolidated into Blue Grass Energy Cooperative Corporation.
- i. Must not be a "close relative" of an employee or director of the Cooperative. ("close relative" means a person who by blood or in-law, including half, foster, step, and adoptive kin, is either a participant in a legal marriage, child, grandchild, parent, grandparent, brother, sister, uncle, aunt, nephew or niece of the principal).
- j. Must not be an employee of nor have a financial interest in a competing enterprise, business or energy source of any kind, i.e. selling electric energy or electrical supplies to the Cooperative.

- k. Be willing to attend regularly scheduled and special meetings of the Board of Directors and to further attend national, state, and local organization meetings, including director training institutes and seminars.
- l. Except as otherwise provided by the Board of Directors for good cause shown, not miss more than three (3) consecutive properly noticed regular Board meetings.
- m. Be willing to become a Certified Director under the Board Management Program of the National Rural Electric Cooperative Association within the first four-year term.
- n. Agree to serve the term of office for which elected until a successor has been appointed or elected.
- o. Not use position as director to further political ambitions.
- p. Not be convicted or plead guilty to a felony while a director or prior to becoming a director
- q. Not have a final judgment entered against them involving civil fraud, ethical violations, discrimination and/or acts of harassment while a director or prior to becoming a director.
- r. Not be 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 or seven (7) years immediately before becoming a director.
- s. Not be 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 seven (7) years immediately before becoming a director
- t. 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 while a director.
- u. Comply with 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 Bylaws.

When a membership is held jointly, by a legally married couple, either one, but not both, may be elected as a member of the Board of Directors.

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

#### Section 4.01. Director Responsibilities

- a. Understand the Cooperative's business and demonstrate the judgment and acumen required to make decisions in the best interest of the Cooperative.
- b. Support all decisions and actions made or taken by the majority of the Board.
- c. Review and study the information contained in reports submitted to the Board.
- d. Oversee the policy and Bylaws of the Cooperative
- e. Objectively evaluate and consider the challenges and opportunities facing the Cooperative and work with senior management to develop appropriate strategic direction.
- f. Maintain an awareness of the attitudes of the member and general public toward the Cooperative.
- g. Serve as an ambassador for the Cooperative's viewpoints, objectives, programs, and services.
- h. Provide full commitment to carry out the responsibilities of the office.
- i. Represent the total Cooperative membership on an impartial basis not just those in his/her district.



- j. Encouraged to participate in continuing education opportunities in order to stay abreast of Cooperative developments and increase knowledge of the Cooperative program.

Section 5. Nominations. It shall be the duty of the Board of Directors to appoint, not less than fifty (50) days and not more than one hundred, twenty (120) days before the date of a meeting the members at which a report of the election of directors is to be made a committee on nominations consisting of not less than five (5) nor more than ten (10) members who shall be selected so as to give equitable representation on the committee to the geographical areas served or to be served by the Cooperative. No officer or member of the Board of Directors shall be appointed a member of such committee. The committee shall prepare and post at the principal office of the Cooperative at least forty-five (45) days before the meeting, a list of nominations for Board of Directors.

One-half percent (1/2%) or more of the total number of consumers shown on the Financial and Statistical Report of RUS Form 7 as of December 31 of the calendar year preceding the election may make other nominations in writing over their original dated signatures, signed within 120 days prior to the annual meeting, together with printed names, telephone numbers, and addresses by filing such nominations not more than ninety (90) days and not less than fifty (50) days prior to the meeting and the Secretary shall post the same at the same place where the list of nominations made by the committee is posted, if, after examination of the Provost, it is determined by said Provost that said petitions meet the requirements of the Bylaws, Articles of Consolidation, and the laws of the Commonwealth of Kentucky. In no event shall a member sign more than one petition for the nomination of a director from a district. All nominating petitions shall be submitted on the form of "Nomination Petition" provided by the cooperative. All nominees shall certify their qualifications by signing a "Certification of Candidate for Director" and completing the "Application for Candidate for Director" form provided by cooperative and file same with the cooperative not less than 50 days before the date of the meeting of the members.

The date of the first working day not less than forty-five (45) days prior to the Annual Meeting shall be established as the certificate date which determines whether a member is in good standing and qualified for the purpose of signing a nominating petition and/or voting.

A member in good standing is any active member who is in compliance with the Bylaws, Rules and Regulations of the Cooperative, and Rules and Regulations of the Public Service Commission as of forty-five (45) days prior to the Annual Membership Meeting. The Secretary shall deliver a list of members in good standing on the certification date to the Provost.

Any member, whose service is disconnected for any reason, will automatically become a nonvoting member until said member is reconnected and receiving electrical current.

Section 6. Conduct of Elections. The Board of Directors shall have the duty of naming a Provost in charge of director elections who shall have the responsibilities and duties regarding nominating petitions as well as votes and the counting of same. The duties of the Provost regarding nominating petitions and the conduct of elections shall be as follows:

1. The Provost of the election shall examine and audit the petition or petitions filed by candidates for election to the office of director to determine if the nominee qualifications and petition or petitions comply with the requirements of the Kentucky Revised Statutes, the Articles of Consolidation, and these Bylaws.

2. The Provost is granted the power and authority to pass upon and determine the validity of qualifications of nominees by petition and validity of the signatures, printed names, and address on the petition or petitions to determine if those signing are qualified members in good standing of the Cooperative and entitled to vote for the election of directors.
3. If the Provost shall disapprove a signature, printed name, and/or address on a petition or petitions, he shall list same in writing giving the reason or reasons why signature, printed name, and/or address was not approved.
4. The Provost shall determine if the required number of qualified voting members have signed the petition or petitions after having deducted from the petition or petitions the names disapproved by him because the names, signatures, printed names, and/or address on said petition or petitions fail to comply with the Kentucky Revised Statutes, the Articles of Consolidation of the Cooperative and these Bylaws. If a petition does not contain the required number of valid signatures, printed names, and addresses of members in good standing, then the Provost shall not certify to the Secretary the name of the nominee as on said petition as a candidate to be placed upon the official ballot.

Upon completion of the examination and audit of the petition or petitions by the Provost, he shall certify to the Secretary of the Cooperative the name or names of those persons properly nominated by petition or petitions so that those nominated may be listed on the official ballot.

After receiving the nominations, the Secretary will contact those persons nominated and give them an opportunity to furnish biographical information. This information is to be included with the official ballot which is sent to all the members as required by the Bylaws. The Secretary shall have the right to require the candidate to limit such biographical information to not more than two hundred (200) words.

5. After the Provost has certified the names of the candidates nominated by petition or petitions to be placed upon the official ballot, it shall be the responsibility of the Secretary to prepare a printed ballot of those persons duly nominated by the Committee and by nominating petition within fifteen (15) days after the nominating petitions are required to be posted. The printed ballot shall show separately those persons nominated by the Nominating Committee and those persons nominated by petition in alphabetical order by district and labeled in such a manner as to note which candidate appears on the ballot by nomination of the Nominating Committee and which appears on the ballot by nomination by petition.

It shall be the further responsibility of the Secretary to see that appropriate official ballots are mailed to each active and qualified member at his last address shown on the Cooperative records, not less than twenty (20) days prior to said Annual Meeting at which the results of said election are to be announced.

The official ballot shall be inscribed with instructions by the Secretary of the Cooperative as to how many candidates may be voted for on each ballot by the member and with instructions that all official ballots must be returned only by U. S. Mail and received not less than ten (10) days prior to the said Annual Meeting. Any ballot not received by mail or received after the time set for receipt thereof, shall not be counted.

Each official ballot shall be placed with an envelope labeled Ballot Envelope within an Official Return Envelope bearing postage prepaid, addressed to the Provost, Blue Grass Energy Cooperative, Post Office Box 990, Nicholasville, KY 40340-0990.

The official ballot shall be personally marked and voted by the eligible member and then placed in the Ballot Envelope and sealed. The sealed Ballot Envelope, with the official ballot enclosed, shall then be placed in the Official Return Envelope which is addressed to the Provost with postage prepaid. The Official Return Envelope shall then be signed by the member in the space provided thereon so it can be determined by the Provost prior to opening the Official Return Envelope whether the person signing the Official Return Envelope is an eligible voting member of the Cooperative. The member shall then seal and mail the Official Return Envelope to the Provost.

All return envelopes shall be deposited in a locked Ballot Box or Boxes at the Nicholasville Post Office or other secure location as may be designated by the Provost.

6. In the event a voting member in good standing has his, her or its ballot inadvertently destroyed, or the Official Return Envelope inadvertently destroyed, or the cover envelope with the contents therein was not received by the voting member, then, upon the voting member having exhibited to the Provost his driver's license and/or a social security card, the Provost shall check the Cooperative's membership list to determine if he, she or it is a voting member in good standing.

The Provost shall then cause the voting member to execute an Affidavit before a Notary Public at the Office of the Provost, and, if the Provost approves, he may then and there deliver to the voting member a Return Envelope, a Ballot Envelope and a Ballot shall be delivered by the Provost after 4:30 p.m., on the tenth day prior to the Annual Meeting.

7. The Board of Directors shall, at least thirty (30) days before any election of directors appoint an Election Committee. The Committee shall include the Provost and shall consist of an uneven number (including Provost) not less than five (5) members of the Cooperative who are not members of the Nominating Committee or existing Cooperative employees, agents, officers, directors or known candidates for director, and who are not close relatives or members of the same household thereof. 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 the adjournments of the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from the Provost, not less than three (3) days after such protest or objection is filed. The Committee shall hear 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.

8. The duties of the Provost and Election Committee regarding votes and counting shall be as follows:
- a. At no later than 9:00 a.m. on the second day prior to the Annual Meeting of members, the Provost shall take the locked Ballot Box or Boxes containing the Return Envelopes and transfer the locked Ballot Box or Boxes to a location of his choosing.
  - b. The Provost and Election Committee shall unlock the Ballot Box or Boxes and examine each Return Envelope to ascertain if it has been properly signed. Signatures on behalf of a corporation, partnership, church or other organization shall be presumed to be by a duly authorized officer, partner or agent of the organization, unless shown otherwise by written notice of the organization by the Provost prior to the count of the vote.
  - c. Any and all Return Envelopes found by the Provost and Election Committee not to conform to the provisions and requirements of these Bylaws shall not be opened but shall immediately be placed in a locked Ballot Box or Boxes for rejected Return Envelopes which shall be retained by the Provost in safekeeping until sixty (60) days after the Annual Meeting.
  - d. When the unopened Return Envelope is found by the Provost and Election Committee to be in conformity with the provisions and requirements of these Bylaws, the Provost and Election Committee shall see that the membership record is marked so as to indicate the member has voted. The Return Envelope shall then be placed in a locked Ballot Box for the accepted Return Envelopes.
  - e. In the event another Return Envelope is found by the Election Committee to be from the same voting member, the Election Committee shall reject the second unopened Return Envelope, state the reason for the rejection and place it in the locked Ballot Box provided for any and all unopened Return Envelopes found not to conform to the provisions and requirements of the Bylaws.
  - f. After all the Return Envelopes have been checked by the Provost and Election Committee for approval or rejection and placed either in the locked Ballot Box or Boxes for accepted Return Envelopes or placed in locked Ballot Box or Boxes for rejected Envelopes, the Provost and Election Committee shall then open the accepted Return Envelopes and remove the unopened Ballot Envelopes therefrom and place same in a locked Ballot Box until all of said Return Envelopes have been opened. The Provost and Election Committee shall then open the locked Ballot Box or Boxes containing the unopened Official Ballot Envelopes and remove same from said Ballot Box or Boxes and open said Official Ballot Envelope and tabulate all valid votes cast on each Official Ballot. Counting of ballots shall be conducted solely by the Provost and Election Committee with the assistance of any personnel necessary for its work. Any nominee or anyone designated in writing by such nominee may be present in the counting room. No other person shall be present in the counting room except the Cooperative Attorney who may be present at any part of the election process.

In addition to the reasons stated elsewhere in Paragraph 8 of Section 6, the following Ballots shall not be counted:

1. A Ballot marked for more than one candidate in each district from which a director is to be elected;
2. Ballots other than the Official Ballot.

- g. Any Official Ballot deemed invalid by the Provost and Election Committee for reasons set forth in these Bylaws shall be placed in the locked Ballot Box or Boxes containing the rejected Return Envelopes.
- h. The Ballot Box or Boxes shall be kept locked at all times except when the Provost or Election Committee are present.
- i. If the counting of the Official Ballots has not been completed at the time of adjournment of the counting, all Official Ballots unopened and uncounted shall be kept in the locked Ballot Box or Boxes in the Provost's safekeeping until the counting of all Official Ballots is again begun in the presence of the Provost and Election Committee and this procedure shall continue until all valid Official Ballots have been counted and tabulated.
- j. The Provost shall place all official and valid Ballots which have been counted in a locked Ballot Box and shall retain same unopened in safekeeping of the Provost for sixty (60) days after the date of the Annual Meeting.
- k. The Provost shall promptly, upon completion of the counting of the membership votes, certify in writing to the Secretary of the Board the names of the candidates and the number of votes received by each and shall also certify the names and addresses of the candidates receiving the highest number of votes taking into account the number of directors to be elected and the respective districts they are to represent. In case of any tie votes, drawing by lot by the candidates shall resolve any tie votes. The Secretary shall announce the election results at the Annual Meeting.
- l. After sixty (60) days have passed from the day of the Annual Meeting of members, the Provost shall deliver the Ballot Box or Boxes to the Secretary of the Cooperative.

Section 7. Removal of Member of the Board of Directors by Members. Any member may bring charges for cause against a member of the Board of Directors, and, by filing with the Secretary such charges in writing together with a petition signed by ten per centum or more of all the members, may request the removal of such member(s) of the Board of Directors by reason thereof. For the purpose of this Section 7, "cause" shall be defined to mean malfeasance in office, that is, the commission of an act which is unlawful and affects, interrupts or interferes with the performance of official duties. The petition shall call for a special meeting the stated purpose of which shall be to hear and act upon such charge(s), and which requests the board of directors to schedule such meeting at a place, time, and date thereof not sooner than thirty (30) days after the filing of the petition. Each page of the petition shall, in the forepart, thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s), is(are) being made. The petition shall be signed by each member in the same name as he/she is billed by the Cooperative and shall state the signatory's address as the same appears on such billings along with printed name(s), dates of birth and social security numbers. A statement of charge(s) verbatim, the name(s) of 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; 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 in writing of the charge(s) after they have been validly filed and at least thirty (30) days prior to the meeting of the members at which the charge(s) are to be considered, and shall have an opportunity at the meeting to be heard in person by witnesses, by counsel or any combination of such and to present evidence in respect to 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; provided, that the question of removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him/her shall have been presented during the meeting through oral statements, documents or, otherwise, with the ruling concerning same to be made by the chairman of the special meeting. A two-thirds (2/3) majority of members present at the meeting shall be required for removal of a director. The chairman of the said meeting shall be a licensed attorney appointed by the Board of Directors and the Cooperative shall compensate him for his services.

Section 7.01. Removal of Directors for Absence. Any board member who is absent from three consecutive regular meetings of the board, unless excused by the affirmative vote of a majority of the other board members, may be deemed to have vacated his office if so determined by the affirmative vote of a majority of the other board members.

Section 8. Vacancies. Vacancies occurring on the Board of Directors may be filled by the affirmative vote of the majority of the remaining members of the Board of Directors for the unexpired portion of the term, subject however to the terms of the Consolidation Agreement which shall supersede all terms and conditions of the Bylaws. The Board of Directors reserves the right to leave any vacancy or vacancies unfilled, and to alter the number of director districts.

Section 9. Compensation. The members of the Board of Directors shall not receive a salary for their services as such, except that the Board of Director of the Cooperative may by resolution authorize reasonable compensation for performing 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, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board of Directors in lieu of detailed accounting for some of these expenses. No director shall receive compensation for serving the Cooperative, in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the director or his close relative shall have been certified by the Board of Directors as an emergency measure.

## ARTICLE V MEETINGS OF THE BOARD

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall also be held monthly at such time and place within one of the counties served by the Cooperative as designated by the Board of Directors. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors or by a majority of directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chairman or directors calling the meeting shall fix the time and place for the holding of the meeting which shall be held in one of the counties in Kentucky within which the Cooperative serves, unless all directors consent to its being in some other place in Kentucky or elsewhere. Regular meetings and special meetings (upon proper notice as provided in these Bylaws) may also be held via telephone conference call or through any other means of communication by which all Directors participating in the Board

Meeting may simultaneously hear each other during the Board Meeting, without regard to the actual location of the directors at the time of such meeting, if all directors consent thereto.

Section 3. Notice of Board Meetings. Written notice of the time, place and purpose of any special meeting of the Board of Directors shall be delivered to each director either personally, by mail, or electronically by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairman or the director calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at this address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five (5) days before the date set for the meeting. If delivered electronically, such notice may be emailed or posted to a website for review. If such notice is emailed or posted to a website, it shall be deemed delivered when message is sent to the bgenergy.com email addresses provided with date stamp of five (5) days before the date set for the meeting.

Section 4. Quorum. A majority of the Board of Directors shall constitute a quorum, provided, that if less than such majority of the Board of Directors is present at said meeting, a majority of the Board of Directors present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, except as otherwise provided in these Bylaws.

## ARTICLE VI 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. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person.

Section 2. Election and Term of Office. The Board of Directors of the cooperative shall elect officers annually at the next regular meeting of the Board of Directors to be held not later than the month following each Annual Meeting. Each officer shall be elected by a majority vote (by secret ballot) of the directors in attendance at the meeting. The balloting procedure shall be as follows. All eligible directors and/or candidates for appointment as an officer/director shall be listed on the ballot and voted on. A director may remove his/her name from the ballot at the time of the election by verbally requesting removal prior to the vote. Their name is then removed. The director or other eligible candidate receiving the majority vote shall be seated in the position. Should no one receive a majority of the vote on the first ballot, those receiving votes shall be listed on the ballot and voted on. The director receiving the highest number of votes shall be seated in the position. If no one receives the highest number of votes, the election/appointment shall be decided by lot between or among the two (2) or more candidates with a tie or the two (2) highest number of votes cast at last vote tabulation.

Each officer shall hold office until a successor is duly elected. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term in the same manner as set forth above for the annual election of officers.

Section 3. Removal of Officers. The Board of Directors may remove any officer elected or appointed by the Board of Directors for cause whenever in its judgment the best interest of the Cooperative will be served thereby. For the purpose of this Section 3, “cause” shall be defined to mean malfeasance in office, that is, the commission of an act which is unlawful and which affects, interrupts or interferes with the performance of official duties. The officer against whom such charges have been brought shall be informed in writing of the charges at least thirty (30) days prior to the Board Meeting at which the charges are to be considered, and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; the director or directors bringing the charges against him shall have the same opportunity. The question of the removal of the officer shall be decided by a majority vote of the members of the Board of Directors present.

Section 4. Chairman. The Chairman of the Board shall:

- a. be the principal officer of the Cooperative and unless otherwise determined by the members of the Board of Directors, shall preside at all meetings of the members and the Board of Director;
- 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 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 Chairman and such other duties as may be prescribed by the Board of Directors from time to time.
- d. while presiding at a meeting of the members or 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 these 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 these Bylaws.
- d. keeping, or causing to be kept, a register of the names and post office addresses of all members;
- e. keeping, or causing to be kept, on file at all times a complete copy of the Articles of Consolidation 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 provisions of these 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 provisions of the duties, responsibilities and authorities of the Secretary and Treasurer hereinbefore provided in Sections 6 and 7, 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 officers' duties to be one or more agents, other officers or employees of the Cooperative who are not directors. To the extent that the Board of Directors does so delegate the duties, responsibility, or authority of 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 CEO who may be, but who 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. The costs of all such bonds shall be borne by the Cooperative.

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 powers, duties and compensation of officers, agents and directors shall be fixed by the Board of Directors subject to the provision of these Bylaws with respect to compensation of a director.

Section 12. Reports. The officers of the Cooperative shall submit at each Annual Meeting of the members, reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

Section 13. Indemnification of Directors, Officers, Employees and Members of Board Committees. 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 of 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:

1. Such director, officer, employee, or member of a board committee must have conducted himself in good faith (and reasonably believed his conduct was in the best interests of the Cooperative), and, in the case of criminal proceedings, he (additionally) 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, and when acting in any other capacity, he must have reasonably believed that his conduct was at least not opposed to the best interest of the Cooperative.
2. 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.
3. In no event, however, will indemnification be made with respect to any described proceeding which charges or alleges improper personal benefit to a director, officer, employee, or member of a board committee where liability is imposed upon him on the basis of the receipt of such improper personal benefit.
4. In order for any person to receive indemnification under this bylaw, 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.

The reasonable expenses, as shall be determined above that have been incurred by a director, officer, employee, or member of a board committee who has been made a party to a proceeding as defined herein or reimbursed in advance upon a majority vote of a quorum of the full Board of Directors, including those who may be a party to the proceedings. Provided, however, that such director, officer, employee, or member of a board committee shall have provided the Cooperative with a written affirmation under oath that he in good faith believes that he has met the standards of conduct contained herein and a written undertaking that he shall repay any amounts

advanced with interest accumulated at the legal rate if it is ultimately determined that he has not met such standards of conduct. In addition to the indemnification provided herein, the Board of Directors shall, 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 members of board committees against liabilities and reasonable expenses arising out of the performance of their duties for the Cooperative.

## ARTICLE VII NON-PROFIT OPERATION

Section 1. Interest on Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefits 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, members and non-member alike, will through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, 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, members and non-members alike, 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-rate 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. Provided, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of capital credited to the accounts of patrons and to descendant's estates which correspond to capital credited to the account of the Cooperative by any organization furnishing services to the Cooperative (including power service to cooperative).

Such rules shall:

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

Capital credited to the account of each patron shall be 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 FINANCIAL OBLIGATION

Section 1. Bonds, Notes, Debentures, Certificates or Other Evidence of Indebtedness. The Cooperative may issue its obligations and pledge its future revenues for the payment thereof. The obligations may be in the form of bonds, notes, debentures, interim certificates or other evidence of indebtedness. The obligations shall be authorized by the Board of Directors by a resolution which shall fix the dates of issuance and maturity, the rate and time of payment of interest, and denominations, the form (either coupon or

registered), the registration privileges, the manner of execution, the place and medium of payment and the terms of redemption. Any limitation as to interest or term of maturity otherwise provided by the laws of Kentucky shall not be applicable to obligations issued by the Cooperative as provided in Kentucky Revised Statutes, Chapter 279.

Section 2. Sell, Lease, or Dispose of Property. Except as provided in Kentucky Revised Statutes 279.090.279.120 and 279.130 and in Section 3 of this Article, the Cooperative may not sell, lease or otherwise dispose of any 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 total membership. 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 Consolidation or Bylaws of the Cooperative notwithstanding.

Section 3. Disposition of Properties and Assets. Supplementary to the first sentence of Section 2 of this Article, and any other applicable provisions of law or these Bylaws, no sale, lease, lease-sale, exchange, transfer or other disposition of any of the Cooperative's properties and assets shall be authorized except in conformity with the following:

1. If the Board of Directors look with favor upon any proposal for such sale, lease, lease-sale exchange, transfer or other disposition, it shall first cause three (3) independent, nonaffiliated appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange, transfer, or other disposition and as to any other terms and conditions which should be considered.
2. If the Board of Directors, after receiving such appraisals (and other terms and conditions which are submitted, if any) ultimately determines that the proposal is in the best interests of the Cooperative and its members, it shall first give every other electric cooperative corporately sited and operated in Kentucky (which has not made such an offer for sale, lease, lease-sale, exchange, transfer or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric cooperative, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three (3) appraisers. Such electric cooperative shall be given not less than thirty (30) days during which to submit competing proposals, and the actual period within which proposals are to be submitted shall be stated in the written notice given to them.
3. If the Board of Directors then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall adopt a resolution recommending the sale and directing the submission of the proposal to a vote of the members at a duly held member meeting, and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not sooner than ninety (90) days after the giving of such notice to the members, provided, that consideration and action by the members may be given at the next annual member meeting if the Board of Directors so determines and if such Annual Meeting is held not sooner than ninety (90) days after the giving of such notice.
4. Any one percent (1%) or more of the total number of consumers shown on the Financial and Statistical Report of RUS Form 7 as of December 31 of the calendar year preceding, by so petitioning the Board of Directors not less than twenty

(20) days prior to the date of special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board of Directors has made.

5. The provisions of this Section shall not apply to a sale, lease, lease-sale, exchange, transfer or other disposition to one or more other electric cooperatives or if the substantive or actual legal effect thereof is to merge or consolidate with such other one or more electric cooperatives.
6. Distribution of surplus assets on dissolution. Upon the Cooperative's dissolution, any assets remaining after all liabilities or obligations of the Cooperative have been satisfied and discharged shall, to the extent practicable as determined by the Board of Directors, not inconsistently with the provisions of the third paragraph of Article VII, Section 2 of these Bylaws, be distributed without priority but on a patronage basis among all persons who are members of the Cooperative. Provided, however, that, if in the judgment of the Board of Directors the amount of such surplus is too small to justify the expenses of making such distribution, the Board of Directors may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more non-profit charitable or educational organizations that are exempt from Federal income taxation.

Section 4. Property Sales Without Member's Authority. The Board of Directors may sell any of the following property without authority from the members:

1. 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 (10%) in value of all the property of the corporation other than merchandise and property acquired for resale;
2. services and electric energy;
3. property acquired for resale; and
4. merchandise.

## ARTICLE IX

### SEAL

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

## ARTICLE X

### FINANCIAL TRANSACTIONS

Section 1. Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed and/or countersigned by such officer or officers, agent or agents,

employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

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

Section 4. Change in Rates. Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

Section 5. Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

## ARTICLE XI MISCELLANEOUS

Section 1. Waiver of Notice. Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or director at such meeting shall constitute a Waiver of Notice of such meeting by such member or director, except in case a member or director shall attend a meeting for the expressed purpose of objecting to the transaction of any business on the grounds that the meeting has not been lawfully called or convened.

Section 2. Policies, Rule and Regulations. The Board of Directors shall have power to make and adopt such policies, rules and regulations, not inconsistent with the law, the Articles of Consolidation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

Section 3. 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 the laws of the Commonwealth of Kentucky and the rules and regulations of any regulatory body thereof, shall conform to such system of accounts 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 also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be available to the members at the corporate offices.

Section 4. Area Coverage. The Board of Directors shall make diligent effort to see that electric service is extended to all unserved person within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

Section 5. Computation of Time. In computing any period of time prescribed or allowed by these Bylaws, the date of the act or event after which the designated period of time begins to run is not to be included. The last day of the period so computed is to be included, unless it is Saturday, a Sunday or a legal holiday, in which event the period runs until the end of the next day which is not a Saturday,

a Sunday or a legal holiday. When the period of time prescribed or allowed is less than seven (7) days, intermediate Saturdays, Sundays, and legal holidays shall be excluded in the computation.

## ARTICLE XII AMENDMENTS

These Bylaws may be altered, amended or repealed by a majority vote of the Board of Directors at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal; however, such notice and copy of proposed alteration, amendment or repeal, may be waived as provided in Article XI, Section 1, of these Bylaws.

## ARTICLE XIII RULES OF ORDER

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 or directors which may from time to time be duly established shall be governed by Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Consolidation or Bylaws.

Adopted:           January 1, 1998  
                          January 1, 2002

Amended:         February 19, 1998           (Article IV)  
                          August 12, 1998           (Article VII, Section 2)  
                          October 20, 1998         (Article IV, Section 5)  
                          November 12, 1998       (Article IV, Section 3)  
                          January 7, 1999           (Article IV, Sections 2 and 3 and Article XII)  
                          August 12, 1999          (Article VI, Section 2)  
                          December 9, 1999         (Article IV, Section 2 and 3)  
                          January 13, 2000         (Article IV, Sections 3 and 5)  
                          February 10, 2000        (Article IV, Section 5)  
                          October 19, 2000         (Article IV, Section 2 and 3)  
                          April 12, 2001           (Article I, Section 10)  
                          January 1, 2002          (Article I, Sections 1, 5 and 10, Article III, Section 4, Article IV, Section 2-7,  
  Article VI, Section 4, and Article VII, Section 2)  
                          April 22, 2004           (Article IV, Section 6)  
                          June 10, 2004            (Article IV, Sections 3 and 5)  
                          August 11, 2004         (Article IV, Section 3)  
                          September 4, 2008       (Article I, Sections 2, 4, 5; Article IV, Sections 3, 4, 7; Article V, Section 3; Article VI,



	Section 6; Article VII, Section 2)
February 5, 2009	(Article IV, Section 3; Article VI, Section 2)
November 12, 2009	(Article VI, Sections 2, 3; Article XII)
February 11, 2010	(Article V, Section 2)
September 16, 2010	(Article III, Section 3; Article IV, Sections 5 and 6; Article V, Section 1)
September 22, 2011	(Article IV, Section 2)
November 10, 2011	(Article I, Section 4; Article IV, Sections 2, 3; Article VIII, Section 3)
November 8, 2012	(Article IV, Section 6)
December 13, 2012	(Article IV, Section 2)
August 19, 2013	(Article IV, Section 4, 4.01, 5)
January 21, 2014	(Article VI, Section 2)
November 10, 2014	(Article IV, Section 9)
August 17, 2015	(Article I, Sections 3 and 4; Article III, Section 4; Article III, Section 5 (b)(1); Article IV, Section 4 (i); Article IV, Section 4 (u))