

VISION

To be a **progressive, innovative leader, trusted and respected** by our members, employees, business partners, and communities.

MISSION

Improve the quality of life and economic position of all stakeholders.

CORE VALUES

SAFETY

We put safety first.

INTEGRITY

We uphold the highest standards of ethics and integrity.

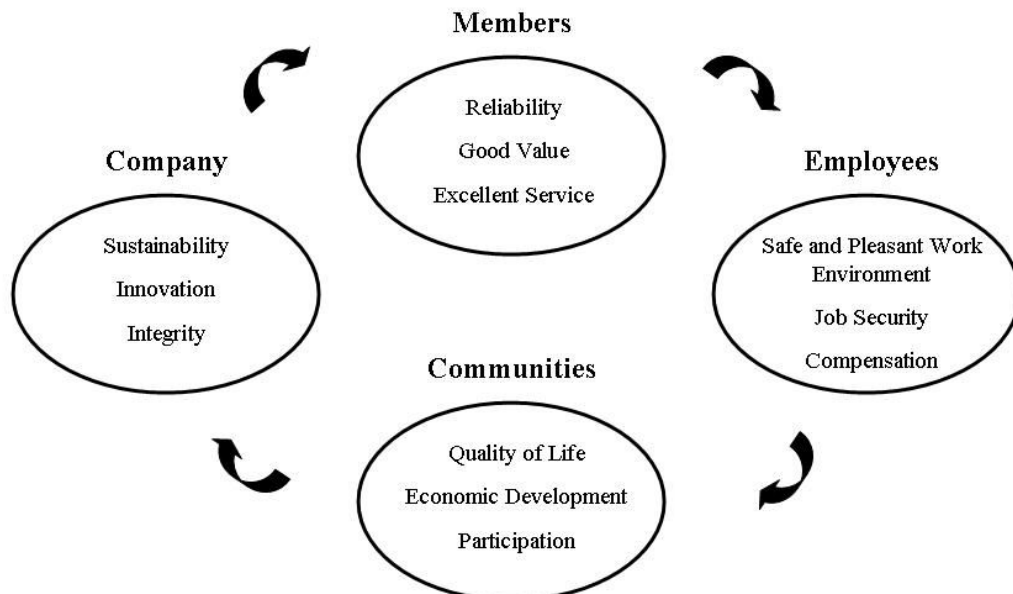
QUALITY

We are committed to improving the quality of life in our communities.

INNOVATION

We acknowledge that innovation, communication, and teamwork are essential ingredients to achieve member satisfaction.

PHILOSOPHY MODEL



Warren Rural Electric Cooperative Corporation

BYLAWS

Bowling Green, Kentucky 42101

Established: 1938

Revised: March 22, 2011

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ARTICLE I - Membership

Section 1. Requirements of Membership.

Any person, firm, association, corporation, body politic, or subdivision thereof will become a member of Warren Rural Electric Cooperative Corporation (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided the applicant has first:

- (a) Made an application for membership.
- (b) Agreed to purchase electric energy from the Cooperative.
- (c) Agreed to comply with the Articles of Incorporation, Bylaws of the Cooperative, the Tennessee Valley Authority (TVA) Rules and Regulations, as well as any others adopted by the Board, and
- (d) Paid the membership fee established by the Board of Directors. No member may hold more than one membership in the Cooperative.

Section 2. Non-Discrimination.

Warren Rural Electric Cooperative Corporation is the recipient of Federal financial assistance from the U.S. Department of Agriculture (USDA). The USDA prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any assistance program.

The person responsible for coordinating this organization's nondiscrimination compliance efforts is the Vice President of Administrative Services. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.

Section 3. Evidence of Membership.

Membership in the Cooperative shall be evidenced by enrollment of the member's name upon the records of the Cooperative.

Section 4. Membership.

The term "member" as used in these Bylaws shall be deemed to be an individual or their legal representative, a partnership, or a corporation holding a membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of the membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a membership shall be as follows:

- (a) The presence of either at a meeting 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 jointly shall constitute one vote;
- (c) A waiver of notice signed by either or jointly shall constitute a waiver;
- (d) Notice to either, or jointly, shall constitute notice to all;
- (e) Expulsion of either, separately or jointly, shall terminate the membership;
- (f) Withdrawal of either, separately or jointly, shall terminate the membership;

- (g) Only one individual party to a membership may be elected or appointed as an officer or Board member provided the qualifications for such office are met.

Section 5. Transfer of Membership.

No membership in the Cooperative shall be transferable from one person to another except in cases of death, divorce, or other special circumstances.

Section 6. Membership Fee.

A membership fee determined by the Board of Directors shall be paid by each member of the Cooperative. No member shall be entitled to more than one vote at any membership meeting.

Section 7. Purchase of Electric Energy.

As soon as electric energy is available, each member shall purchase from the Cooperative all electric energy for use on the premises specified in the application for membership and shall pay rates fixed by the Board of Directors. 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 fixed by the Cooperative. It is expressly understood that amounts paid for electric energy in excess of the cost of power, the cost of service, and margins are furnished by members as capital and each member shall be credited with the capital ~~so~~ as provided in these Bylaws. Each member shall pay the Cooperative a minimum amount regardless of the amount of electric energy consumed for cost of service as shall be fixed by the Board of Directors. Each member shall pay all amounts owed to the Cooperative when due and payable.

The Cooperative shall provide Cooperative Services to Members in a reasonable manner. The Cooperative, however, does not insure, guarantee, or warrant that it will provide adequate, continuous, or non-fluctuating electric energy or other Cooperative Service. The Cooperative is not liable for damages, costs, or expenses, including attorney fees or legal expenses, caused by the Cooperative providing inadequate, non-continuous, or fluctuating electric energy or other Cooperative Service, unless the damages, costs, or expenses are caused by the Cooperative's gross negligence or willful misconduct. The Cooperative's responsibility and liability for providing a Cooperative Service terminate upon delivery of the Cooperative Service to a Member. In case of emergency, or as requested by government or emergency officials or representatives, the Cooperative may interrupt the Provision of Cooperative Services to Members.

Section 8. Member Equipment Connect to Cooperative Equipment.

Except as otherwise provided by the Board, before Member Equipment is connected to Cooperative Equipment, the Cooperative must approve the connection in writing. Before and while Member Equipment is connected to Cooperative Equipment, the Member:

- (a) shall comply with, and shall ensure that the Member Equipment, the connection, and any act or omission regarding the Member Equipment and the connection comply with the Governing Documents, including terms, conditions, requirements, and procedures required by the Cooperative regarding the Member Equipment and the connection;
- (b) shall ensure that the Member Equipment and the connection do not adversely impact the Cooperative's ability to safely, reliably, and efficiently operate the Cooperative or Provide a Cooperative Service;
- (c) grants the Cooperative the right to inspect the Member Equipment and the connection to determine whether the Member Equipment and connection comply with the Governing Documents; and
- (d) grants the Cooperative the right to disconnect or temporarily operate Member Equipment that does not comply with the Governing Documents or that adversely impacts the Cooperative's ability to safely, reliably, and efficiently operate the Cooperative or Provide a Cooperative Service.

If Member Equipment is connected to Cooperative Equipment, then: (1) the Member is, but the Cooperative is not, responsible for designing, installing, operating, maintaining, inspecting, repairing, replacing, and removing the Member Equipment; (2) the Cooperative is not liable for damage to, or for the performance of, the Member Equipment; (3) the Cooperative is not liable for damage to Member Property; (4) the Member is responsible for knowing the concerns, risks, and issues associated with operating the Member Equipment and connecting the Member Equipment to Cooperative Equipment; (5) the Member is liable for damage to, and for the nonperformance of, the Cooperative Equipment caused by the Member Equipment or the connection; and (6) the Member is liable for, and must indemnify the Cooperative against, injury or death to any Person and damage to any property caused by, or resulting from, the Member Equipment or the connection.

Section 9. Grant of Property Rights.

As required by the Cooperative for a Cooperative Purpose, a Member shall: (1) provide the Cooperative safe and reliable access to or use of Member Property; and (2) pursuant to terms and condition specified by the Cooperative, and without compensation from the Cooperative, grant or convey to the Cooperative a written or oral easement, right-of-way, license, or other right or interest in Member Property, and execute a document regarding this grant or conveyance.

Section 10. Termination of Membership.

- (a) Termination of membership in any manner shall not release a member or their estate from any debts due the Cooperative.
- (b) 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 the member, However, the Cooperative shall deduct from the amount of the membership fee any debts or obligation owed by the member to the Cooperative.

ARTICLE II - Rights and Liabilities of Members

Section 1. Property Interest of Members.

Upon dissolution, after: (a) All debts and liabilities of the Cooperative shall have been paid, and (b) All capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed according to law.

Section 2. Non-Liability for Debts of the Cooperative.

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

ARTICLE III - Meetings of Members

Section 1. Annual Membership Meeting.

The Annual Membership Meeting of the members shall be held during the months of May, June, July, August, or September of each year beginning with the year 1954, at such places 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 electing Board members, passing upon reports for the previous fiscal year, and transacting such other business as may come before the 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 a written request signed and dated by 10 percent or more of all the members. No signatures shall be more than 60 days old when such petition is

presented. It shall be the duty of the Secretary to cause notice of such meeting to be given. Special meetings of the members may be held at any place within one of the counties served by the Cooperative as designated by the Board and shall be specified in the Notice of the Special Meeting.

Section 3. 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 Membership Meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than 7 days nor more than 45 days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, addressed to the member at the address as it appears on the records of the Cooperative, with postage prepaid. The failure of any member to receive notice of an Annual Membership Meeting or Special Meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Record Date.

The Record Date for determining the Total Membership and the Members entitled to notice of or to vote at the Annual Membership Meeting shall be the close of business day two business days before the date of Annual Membership Meeting. A "Record Date" is the date for determining the Total Membership and the Members entitled to: (1) sign a Member petition, request, demand, consent, appointment, or similar document; (2) receive a ballot, notice of a Member Meeting, or similar document; or (3) vote or otherwise act. If a Member is suspended after the Record Date, then the Member may not sign a document, receive a document, or vote or otherwise act.

Section 5. Quorum.

Two hundred and fifty members in good standing present and in person shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting without further notice.

Section 6. Voting.

As described in Article I, Section 4, 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 a vote of a majority of the members voting thereon in person except as otherwise provided by law, the Articles of Incorporation, or these Bylaws.

Section 7. Order of Business.

The order of business at the Annual Membership 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:

- (a) Report on the number of members present in person in order to determine the existence of a quorum.
- (b) Reading of the Notice of the Meeting and proof of the due publication or mailing thereof, or the Waiver or Waivers of Notice of the meeting, as the case may be.
- (c) Reading of unapproved minutes of previous meeting of the members and the taking of necessary action thereon.
- (d) Presentation and consideration of reports of officers, Directors, and committees.
- (e) Election of Board members.
- (f) Unfinished business.
- (g) New business

(h) Adjournment.

ARTICLE IV - Board Members

Section 1. General Powers.

The business and affairs of the Cooperative shall be managed by a Board of Directors consisting of eight members, which shall be reduced to seven upon the merger of Districts 5 and 8, which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation, or these Bylaws conferred upon or reserved to the members. (See Article IV, Section 2 – Election and Tenure of Office)

Section 2. Election and Tenure of Office

At each Annual Membership Meeting beginning with the year 1950, Directors shall be elected by and from the members of the Cooperative to succeed those Directors whose terms of office have expired to serve a term of three years or until their successors shall have been elected and shall have qualified.

The Cooperative shall be divided into eight districts as described below until the merger hereinafter set for of Districts 5 and 8 is effective and thereafter shall be divided into seven districts and shall be represented by one member of the Board of Directors from each district.

District 1, Southeast Warren County, commences at a point where Barren River enters Warren County on the east; thence, with the boundary of Warren County in a southwest direction to the point where U.S. Interstate 65 enters Simpson County; thence, to the right in a northerly direction and with the center line of Interstate 65 to Natcher Parkway to U.S. Highway 31-W; thence, with the Natcher Parkway thereof to Barren River; thence, with Barren River in an easterly direction to the point of beginning.

District 2, Southwest Warren County, commences at the city limits of Bowling Green where it intersects with Interstate 65 in a southerly direction to the point where it enters Simpson County; thence, in a northwesterly direction, clockwise, with the boundary line of Warren County to a point where Highway 185 crosses Green River, thence with Highway 185 south to the point where it intersects with the city limits of Bowling Green.

District 3, North Warren County, shall include all the portions of Warren County not included in Districts 1 and 2.

District 4 Edmonson County and that portion of Barren County now being served by this Cooperative.

District 5 Simpson County until the merger with District 8 becomes effective.

District 6 all of Butler County and that portion of Ohio County now being served by this Cooperative.

District 7 Grayson County.

District 8 Logan County until merged with District 5. A Director is currently in place for District 5 and District 8. District 8 will be merged into District 5 upon the first vacancy on the Board of Directors of a Director from either District.

Section 3. Official Ballot.

The official ballot shall contain the names of the members nominated by the Nominating Committee and any independent nominations.

Section 4. Qualifications.

To become or remain a Board member of the Cooperative, a person shall:

- (a) be a resident of the district represented and receive electric service in the district represented;
- (b) attend all meetings of the Board either in person or by electronic remote communication no more than two regular meetings per calendar year . Any unexcused absences in excess of three in one year shall result in removal by a majority of the Board.
- (c) not in any way be employed by or financially interested in a competing enterprise or a business selling electric energy to the Cooperative.
- (d) not be a current, retired, or former employee of the Cooperative.
- (e) a person shall not have a close relative(s) and/or their domestic partner employed by the Cooperative. A “Close Relative” is defined as a spouse, child, grandchild, parent, grandparent, brother, or sister by blood or marriage (in-laws). In addition it includes aunt, uncle, nephew, or niece by blood.
- (f) have the capacity to enter legally binding contracts; (they are at least 18 years of age and are not incompetent.)

Upon establishment of the fact that a Board member is holding the office in violation of any of the foregoing provisions, the Board shall remove such Board member from office.

Nothing contained in this Section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board by a majority vote.

Section 5. Nominations.

It shall be the duty of the Board of Directors to appoint, a committee on nominations consisting of eight members one being from each of the current eight districts. (This number will change to seven upon the merger of Districts 5 and 8). This committee shall be appointed and shall meet, not less than 60 days nor more than 120 days, before the date of a meeting of the members at which Directors are to be elected.

No member of the Board of Directors may serve on the Nominating Committee. Nominating Committee members may not be an existing, or a Close Relative of an existing, Cooperative Official or known Director Candidate. A “Close Relative” is defined as a spouse, child, grandchild, parent, grandparent, brother, or sister by blood or marriage (in-laws). In addition it includes aunt, uncle, nephew, or niece by blood. The Committee shall prepare a list of nominations from the districts in which the Directors' terms expire to be posted at all offices of the Cooperative at least 60 days before the Annual Membership Meeting. The Committee may nominate more than one candidate from each district. The Secretary shall be responsible for mailing to all members a statement of the number of Directors to be elected and the names and addresses of the candidates. This information may be included with the Notice of the Meeting or mailed separately, but at least seven (7) days prior to the date of the meeting at which Directors are to be elected; publicizing information regarding the number of Directors to be elected and the names and addresses of the candidates. This information may be included with the Legal Notice of the Meeting in the Kentucky Living magazine, mailed separately, printed in local newspapers, and/or posted on the Warren RECC website. This information must be publicized at least seven (7) days prior to the meeting at which Directors are to be elected.

Independent nominations may be submitted, in writing, from any member of the Cooperative. Such nominations must be received by the Board Chairman not less than 60 days no more than 120 days before the date of the meeting of the members at which Directors are to be elected. No member may nominate more than one candidate. Information regarding submission of independent nominations will be contained in a Legal Notice and published in all newspapers in the districts in which Directors are to be elected, printed in the Kentucky Living magazine, and/or posted on the Warren RECC website at least seven (7) days prior to the period allowed for acceptance of nominations.

At the Annual Membership Meeting, the Cooperative’s Attorney shall present all nominations - both those made by the Nominating Committee as well as any independent nominations of candidates who meet the qualifications established in

Section 4. Any person whose name is placed in nomination for Director, either by the Nominating Committee or by independent nomination, must submit written documentation confirming their agreement to serve in the position of Director at the time their name is officially placed in nomination.

Section 6. Vacancies.

Vacancies on the Board shall be filled by the affirmative vote of a majority of the remaining Board members for the unexpired portion of the term. The following steps will be followed:

1. No steps will be taken to fill any vacancy until the next regularly scheduled Board meeting following the creation of the vacancy.
2. The Board Chairman will appoint a committee of two current Board members and the member of the Nominating Committee from the district in which the vacancy occurs to make recommendations for the vacancy.
3. In the event that the Committee's recommendation is to conduct interviews for the open seat, the Committee will submit three names for consideration and interview by the full Board. If a decision cannot be reached from the three candidates, the committee will recommend an additional three candidates for interviews by the full Board. This process will continue until the vacancy is filled.
4. Any solicitation for candidates through the news media will be at the discretion of the committee.

Section 7. Compensation.

Directors shall not receive any salary for their services as Directors, except that by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the Board and for attendance of Cooperative business. 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 Board, or the service by such Director or close relative shall have been certified by the Board as an emergency measure.

ARTICLE V - Meetings of Board

Section 1. Regular Meetings.

A regular meeting of the Board shall be held without notice immediately after and at the same place as the Annual Membership Meeting of the members. A regular meeting of the Board shall also be held monthly at such time and place as designated by the Board. Such regular monthly meetings may be held without notice other than such action fixing the time and place thereof.

Section 2. Notice of Board Meetings.

Written notice of the time, place, and purpose of any regular meetings of the Board shall be delivered to each Board member, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairman or the Board member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the Board member at his/her address, with postage thereon prepaid, at least three days before the date set for the meeting. If sent by electronic media, such notice shall be deemed to be delivered when sent electronically addressed to the Board member at his/her address.

Section 3. Special Meetings.

Special meetings of the Board may be called by the Chairman or by a majority of Board members, and it shall be the duty of the Secretary to cause notice of such meetings to be given. The Chairman or Board members calling the meeting shall fix the time, place, and/or electronic remote communication for holding of the meeting.

Section 4. Quorum.

A majority of the Board shall constitute a quorum, if less than a majority of the Board is present at said meeting, either in person or by electronic communication, a majority of the Board present may adjourn the meeting. The Secretary shall notify any absent Board member of the time and place of such adjourned meeting. The act of a majority of the Board members present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws. Directors will be allowed to be present by electronic remote communication for no more than two meetings per calendar year.

ARTICLE VI – Officers

Section 1. Number.

The officers of the Cooperative shall be a Chairman, Vice Chairman, Secretary/Treasurer, Assistant Secretaries as may be appointed, and such other officers as may be determined by the Board.

Section 2. Election and Term of Office.

The officers shall be elected annually by and from the Board at the meeting of the Board held immediately after the Annual Membership Meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding Annual Membership Meeting of the members or until a successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

Section 3. Removal of Officers and Agents by the Board.

Any officer or agent elected or appointed by a majority vote of the Board may be removed by the Board whenever in its judgment the best interests of the Cooperative will be served thereby.

Section 4. Chairman.

The Chairman shall:

- (a) preside at all meetings of the members and the Board;
- (b) sign any TVA Power Contract Supplements, RUS and supplemental lender agreements, real estate sales contracts, deeds, mortgages, deeds of trust, notes, bonds, contracts - other than documents necessary for the day-to-day operation of the Cooperative - or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general, perform all duties incident to the office of Chairman and such other duties as may be prescribed by the Board from time to time.

Section 5. Vice Chairman.

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

Section 6. Secretary/Treasurer.

The President and CEO shall designate a Recording Secretary to work in conjunction with the elected Secretary/Treasurer.

The elected Secretary/Treasurer and the Recording Secretary shall be responsible for:

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

The President and CEO shall designate a Financial Officer to work in conjunction with the elected Secretary/Treasurer.

The elected Secretary/Treasurer and the Financial Officer 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 Financial Officer and such other duties as may be assigned by the Board under supervision of the President and CEO.
- (d) the elected Secretary/Treasurer shall be a permanent member of the Audit Committee.

Section 7. Assistant Secretary.

Upon election by the Board of Directors, the Attorney will be elected as Assistant Secretary to fill such duties for the Secretary/Treasurer as may arise.

Section 8. President and CEO.

The Board may appoint a President and CEO who shall be the principal executive officer of the Cooperative and who shall perform such duties and shall exercise such authority as the Board may authorize. The President and CEO may be, but shall not be required to be, a member of the Cooperative.

Section 9. Fiduciary Insurance Coverage.

The Treasurer, the Financial Officer, and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be insured in such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent, or employee of the Cooperative to be insured in such amount and with such surety as it shall determine. All employees of the Cooperative are covered under

our insurance policy with Federated Rural Electric Insurance Exchange.

Section 10. Reports.

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

ARTICLE VII - Not-For-Profit-Operation

Section 1. Interest or Dividends on Capital Prohibited.

The Cooperative shall at all times be operated on a cooperative, not-for-profit basis, for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members. The Cooperative's current contract with its power supplier, the Tennessee Valley Authority (TVA), does not allow for retirement or payment of capital credits.

Section 2. Retirement of Capital Credits.

Notwithstanding the provisions of these Bylaws, no member shall have any right to compel the Board of Directors to make retirements on a patronage basis, or otherwise, of patronage capital, the retirement thereof being a matter within the sole discretion of the Board of Directors to be exercised or not in accordance with the applicable law and subject to the provisions of any contracts from time to time duly entered into on behalf of the Cooperative. The Cooperative's current contract with its power supplier, TVA, does not allow for retirement or payment of capital credits

Section 3. Patronage Capital in Connection with Furnishing Electric Energy.

In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all members will, through their patronage, furnish capital for the Cooperative. All amounts received and receivable from the furnishing of electric energy to members in excess of operating costs and expenses properly chargeable against the furnishing of electric energy are, at the moment of receipt by the Cooperative, received with the understanding that such amounts are furnished by the members as capital. Capital contributed by the members shall be used only for capital purposes including without limitation new electric system construction, the retirement of electric system indebtedness at or prior to maturity, and working capital adequate for all purposes including facilitation of general rate reductions. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (1) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its members on a patronage basis and any amount so allocated shall be included as part of the capital assigned to the accounts of members, as herein provided. The Cooperative shall maintain such books and records as will enable it at any time to compute upon reasonable notice, the amount of capital contributed during any given period by each of its members. All such amounts shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding aggregate amounts for capital.

In the event of dissolution of the Cooperative, its affairs shall be liquidated in the manner provided by law. The Directors in charge of such liquidation shall use the proceeds derived from liquidation to satisfy and discharge all outstanding liabilities and obligations of the Cooperative. To the extent permitted by law, any remaining proceeds of liquidation shall be disposed of as follows:

The aggregate amount of capital contributed by members of the Cooperative during the period of its existence shall be determined and such remaining proceeds up to such aggregate amounts shall be returned to such members in proportion to the respective amounts of capital contributed by them.

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 members' accounts, if any, may be retired in full or

in part. Any such retirements of capital shall be made in order of priority according to the period in which the capital was furnished and credited, the capital first received by the Cooperative being first retired. In no event, however, may any such capital be retired unless after the proposed retirement, the capital of the Cooperative shall equal between 32 and 37 percent of the total assets of the Cooperative.

Capital credited, if any, to the account of each member 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's in occupancy in all or a part of such member'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, at its discretion, shall have the power at any time upon the death of any member, if the legal representatives of his estate shall request in writing that any capital credited to any such member be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws to retire capital credited, if any, to any such member immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of member's estate shall agree upon, provided however, that the financial condition of the Cooperative will not be impaired thereby. The Cooperative's current contract with its power supplier, Tennessee Valley Authority (TVA), does not allow for retirement of capital credits.

The members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each member and both the Cooperative and the members are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

ARTICLE VIII - Disposition of Real Property

The Cooperative may not sell, lease, or otherwise dispose of any of its real property unless the Board of Directors is authorized to do so by a majority vote of the Board of Directors. The Board of Directors, 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 there from' upon such terms and conditions as the Board of Directors shall determine, to secure any obligation of the Cooperative, any provision of the Articles of Incorporation or Bylaws of the Cooperative to the contrary notwithstanding.

Sale of property, other than merchandise and property acquired for resale, shall not in anyone year exceed 10 percent in value of all of the property of the Cooperative.

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 may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, and Other Commercial Paper.

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

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

Section 3. Deposits.

All funds except petty cash of the Cooperative, shall be deposited daily to the credit of the Cooperative in such bank or banks as selected by the Cooperative.

Section 4. Change in Rates.

Any change in rates will be authorized by the Board of Directors and approved by the Tennessee Valley Authority.

Section 5. Fiscal Year.

The fiscal year of the Cooperative shall begin on July 1 of each year and shall end on June 30 of the following year.

ARTICLE XI – Miscellaneous

Section 1. Waiver of Notice.

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

Section 2. Policies, Rules, and Regulations.

The Board shall have power to make and adopt such policies, rules, and regulations, not inconsistent with law, the Articles of Incorporation, or these Bylaws as it may deem advisable for management of the business and affairs of the Cooperative. Parliamentary procedures for meetings of the Board of Directors and of members of the Cooperative shall follow Robert's Rules of Order.

Section 3. Accounting System and Reports.

The Board shall cause to be established and maintained a complete accounting system which shall conform to applicable laws, rules, and regulations. The Board shall also, after the close of each fiscal year, cause to be made by a certified public accountant a full and complete audit of the accounts, books, and financial condition of the Cooperative as of the end of such fiscal year.

Section 4. Area Coverage.

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

ARTICLE XII – Amendments

These Bylaws may be altered, amended, or repealed at any meeting of the Board by the affirmative vote of not less than a 2/3 majority of the entire Board of Directors, provided a notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal.

APPROVED BY THE BOARD OF DIRECTORS: March 22, 2011