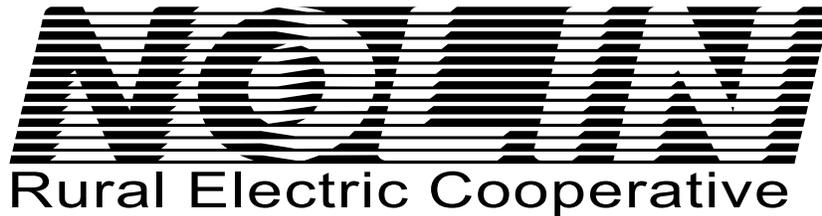


BYLAWS



A Touchstone Energy[®] Cooperative 

*Nolin Rural Electric
Cooperative Corporation
Elizabethtown, Kentucky*

These Bylaws were amended and approved by the
Board of Directors of Nolin RECC on July 14, 2016

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION BYLAWS

ARTICLE I

MEMBERSHIP

SECTION 1. REQUIREMENTS FOR MEMBERSHIP.

Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of the Nolin Rural Electric Cooperative Corporation (hereinafter called the Cooperative) upon receipt of electric service from the Cooperative, provided that each has first: (a) made request for membership therein; (b) agreed orally or in writing to purchase from the Cooperative energy as hereinafter specified; (c) agreed orally or in writing to be subject to the Bylaws of the Cooperative, and any rules and regulations hereinafter adopted by the Board; (d) paid the membership fee hereinafter specified; and, (e) attained the minimum age of 18. No member may hold more than one membership in the Cooperative and no membership in the Cooperative shall be transferable, except as provided by these Bylaws.

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 the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto for inspection, maintenance, replacement, relocation or repair thereof at all reasonable times. As part of the consideration for each 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 their best effort to prevent others from so doing. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance could have prevented such, the member shall indemnify the Cooperative and any other person against death, injury, loss or damage resulting therefrom including but not limited to the Cooperative's cost of repairing, replacing, or relocating any 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 extend beyond the point at which its service wires are attached to the meter loop provided for measuring electricity used on such premises, or beyond the combination circuit breaker-meter base panel if such is owned and maintained by the Cooperative except that the Cooperative shall, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment.

SECTION 2. MEMBERSHIP CERTIFICATES.

Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board. Such certificates shall be signed by the President and by the Secretary of the Cooperative by facsimile signature or otherwise and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed by the Board of Directors, nor until such membership fee has been fully paid. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefor upon such uniform terms and indemnity to the Cooperative as the Board may prescribe.

SECTION 3. JOINT MEMBERSHIP.

A spouse may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include spouses holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of the 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; in the event of a disagreement between the spouses as to how to vote, each spouse shall be entitled to cast one-half vote each;

- (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 Board member, provided that they meet the qualifications for such office.

SECTION 4. CONVERSION OF MEMBERSHIP.

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, Bylaws and rules and regulations adopted by the Board. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.
- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor.
- (c) Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership, in the same manner and to the same effect as though such membership had never been joint; provided that the other spouse shall not be released from any debts due the Cooperative.

SECTION 5. MEMBERSHIP FEES.

The membership fee shall be as set by the Board of Directors, upon the payment of which a member shall be eligible for service.

SECTION 6. PURCHASE OF ELECTRIC ENERGY.

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in his application for membership, and shall pay therefore at rates which shall from time-to-time be fixed by the Board. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time-to-time by the Cooperative. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the Cooperative a facility charge, as shall be fixed by the Board of Directors from time-to-time in addition to all purchased electric energy consumed. Each member shall also pay all amounts owed by them to the Cooperative as and when the same shall become due and payable. When the member has more than one service connection from the Cooperative, any payment by him for service from the Cooperative, shall unless directed in writing by the member to the contrary, be deemed to be allocated and credited on a pro rata basis to their outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and proration.

The Cooperative will use its best efforts to furnish adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply of electricity.

SECTION 7. TERMINATION OF MEMBERSHIP.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, but only after due hearing if such is requested by a member, by affirmative vote of not less than two-thirds of all the members of the Board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules or regulations adopted by the Board. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available, has not purchased electric energy from the Cooperative, may be cancelled by resolution of the Board.
- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate, and the member-

ship certificate of such member, if available, shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or their estate from any debts due the Cooperative.

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

SECTION 8. REFUNDS TO MEMBERS.

In any instances where refunds are received by the Cooperative from wholesale power suppliers as a result of contested wholesale rate increases, any such refunds shall be paid directly to the member, or credited to their bill with the Cooperative, at the discretion of the Board of Directors, less an amount representing costs incurred by the Cooperative in returning the refund. If the refund to any one member amounts to less than \$1.00, the Cooperative, may, at the discretion of the Board of Directors, retain such refund, in which event it shall be treated as revenue to the Cooperative.

SECTION 9. SERVICE TO NON-MEMBERS.

The Cooperative shall render service to its members only; provided, however, that service may be rendered with Board approval upon the same terms and conditions as are applicable to members, to governmental agencies and political subdivisions. Persons or entities that receive service but are not members shall not be entitled to capital credits.

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. PROPERTY INTEREST OF MEMBERS.

Upon dissolution, after

- (a) All debts and liabilities of the Cooperative have been paid, and
- (b) All capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in proportion to their patronage as of the date of dissolution and according to law.

SECTION 2. 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.

Section 3. PARLIAMENTARY PROCEDURE.

At all meetings of the Board of Directors of the Cooperative and at the annual membership meeting or any other meetings of the members of the Cooperative, parliamentary procedure for such meetings shall be governed by the most recent edition of Roberts Rules of Order, except to the extent that such procedure is otherwise determined by the Kentucky Revised Statutes, the rules and regulations of the Public Service Commission of Kentucky, the Articles of Incorporation for the Cooperative, or the policies or other Bylaws of the Cooperative, or any other laws pertaining to rural electric cooperatives.

ARTICLE III

MEETING OF MEMBERS

SECTION 1. ANNUAL MEETING.

The annual meeting of the members shall be held at such time and at such place within any county served by the Cooperative as selected by the Board and which shall be designated in the notice of the meeting for the purpose of transacting such business as may come before the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold an annual meeting at the designated time shall not cause a forfeiture or dissolution of the Cooperative.

SECTION 2. SPECIAL MEETINGS.

Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any four Board members, or by the Chair; and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties served by the Cooperative as designated by the Board and shall be specified in the notice of the special meeting.

SECTION 3. NOTICE OF MEMBERS' MEETING.

Written or printed notice setting the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than thirty 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. Any such notice delivered by mail may be included with members' service billings or as an integral part or with the Cooperative's monthly newsletter and/or its monthly insert, if any, in the Kentucky Living. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. QUORUM.

One hundred (100) members present 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. The minutes of each meeting shall have a list of the members present in person attached to the minutes.

SECTION 5. VOTING.

Each member shall be entitled to only one vote upon each matter submitted to a vote. 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. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to, or upon registration at, each member meeting of satisfactory evidence entitling the person presenting the same to vote.

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 meeting:

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Presentation of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver of the meeting, as the case may be.
3. Presentation of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, directors and committees.
5. Special orders.
6. Unfinished business.
7. New business.
8. Adjournment.

SECTION 7. MEMBER ADVISORY COMMITTEE.

A Member Advisory Committee shall be selected annually from the membership by the Board of Directors. This Committee shall consist of at least 50 members of the Cooperative and shall be selected not later than the March meeting of the Board of Directors each year. The purpose of this Committee shall be to serve the Cooperative in an advisory capacity, receiving from and conveying to the Board of Directors and the membership information helpful in the administration of an electric cooperative. It shall also be the responsibility of the member advisory committee to select the nominating committee for the Cooperative as set forth herein. One or more meetings of this Committee shall be held each year, and one meeting must be held not later than 90 days prior to the annual meeting of the membership.

ARTICLE IV — BOARD MEMBERS

SECTION 1. GENERAL POWERS.

The business and policies of the Cooperative shall be the responsibility of a Board of Directors of six members, which shall exercise all of the powers of the Cooperative, except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members. It is the philosophy of this Cooperative that each director is elected to serve the best interests of the entire membership, and not just their own district within the Cooperative.

SECTION 2. QUALIFICATIONS OF DIRECTORS.

A person shall be eligible to become a Board Member of the Cooperative who: (a) has attained the age of twenty-one (21) years, or more, and (b) is a member of the Cooperative and a bona fide resident for one year prior to their election of the Directorate District from which they are elected, as further defined in Section 3 of this Article IV (In order to be a "bona fide resident" they must have resided for the majority of the year in a residence within the Directorate District from which they are elected.); (c) is not in any way employed by or has more than a 10% interest in a competing enterprise engaged in distribution of electricity or a business selling services or products to the Cooperative, and (d) is not an employee of the Cooperative or a former employee who has a vested interest in the Cooperative, or who has been an employee in the past five years, or receives any remuneration from the Cooperative, other than remuneration for services rendered in serving as a member of the Board of Directors, and (e) is not a close relative of any incumbent director or of an employee or a retired employee of the Cooperative. ("Close relative" means a person who is related to the principal person to the third degree or less — that is a person who is either a spouse, child, step-child, grandchild, great-grandchild, parent, stepparent, grandparent, great-grandparent, brother, sister, aunt, uncle, nephew, or niece, by blood or in-law, of the principal.) A person who holds an elected public office (elected by the general public) with the exception of the office of Soil Conservation Supervisor, shall not be eligible to be a member of the Board of Directors.

Upon establishment that a Board member is holding office in violation of any of the foregoing provisions, the Board shall remove such Board member from office. Each Director must file annually with the cooperative a 'Conflict of Interest Statement' disclosing any potential conflicts of that Director.

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

SECTION 3. DIRECTORATE DISTRICTS.

The Cooperative's directors shall be so nominated and elected that, the Board shall be comprised of one director from each of six Directorate Districts. Boundaries are designed to equalize the number of members living in each district.

The boundaries of each district are based on member service location numbers. Board districts are noted on monthly billing statements and will be provided by the Cooperative upon request by a member and designated on a master map maintained at the Cooperative office.

SECTION 4. TENURE OF DIRECTORS.

Upon their election, directors shall, subject to the provisions of these Bylaws with respect to the removal of directors, serve until the annual meeting of membership of the year in which their term expires or until their successors shall have been elected and shall have qualified. Beginning with the election for 2018, directors from each Directorate District shall be elected for 3-year terms according to the following schedule:

2018	2019	2020
District 3	District 2	District 1
District 5	District 6	District 4

After 2020, directors from each Directorate District shall continue to be elected for 3-year terms on the same rotating schedule listed above.

SECTION 5 (a). ELECTION OF DIRECTORS.

Nominating committees consisting of ten (10) members of the Cooperative shall be selected as follows:

(1) At the spring meeting of the Member Advisory Committee, the members

of the Member Advisory Committee shall divide into six (6) caucuses, with one caucus to represent each Directorate District.

(2) Each caucus of the Member Advisory Committee shall select one member of the Cooperative from that Directorate District to serve on the nominating committee. These six (6) members shall be chosen first. In addition to these six (6), four (4) additional members of the Cooperative shall be chosen for the nominating committees from each Directorate District in which directorships are up for election. If the caucus from a Directorate District in which a directorship is up for election is unable to get four (4) additional members from that district to serve, then less than four (4) additional members may serve with the core committee of six (6) to make up the nominating committee. Each year there will be two directorships up for election.

(3) A majority of the members of the nominating committee (but not less than six) shall constitute a quorum of the committee to nominate directors.

The membership of the nominating committee may also be members of the Member Advisory Committee, but no employees of the Cooperative, directors or close relatives (as defined in Article IV, Section 2 (e) of these Bylaws) of incumbent directors or employees shall serve on the nominating committee. The secretary of the Cooperative shall convene the initial meeting of the nominating committee, and the committee shall then select its own Chairperson and thereafter, the committee shall meet at the time and place designated by the Chairperson. Notice of the time and place of meeting shall be given to each member by a letter deposited in the United States mail directed to them at the address of the member shown on the books of the Cooperative, not less than five days prior to the meeting, but any member may waive such notice in writing and does waive such notice if the member attends the meeting. The nominating committee shall continue in office for a period of one year or until its successor committee is selected by the Member Advisory Committee.

The committee shall prepare and post at the principal office of the Cooperative at least sixty-five (65) days before the election date, a list of nominees for directors. One or more persons shall be nominated for each vacancy to be filled. No person shall be nominated as a candidate for the Board of Directors unless that person is duly qualified, and has been contacted by the nominating committee and indicated their willingness to have their name placed in nomination.

Fifty-five (55) days prior to the Annual Meeting, each nominee may furnish to the Cooperative Secretary a resume of their qualifications and a picture of the nominee; these (or edited versions thereof) shall be furnished to the membership prior to the election. Other campaigning is discouraged in an effort to promote a cooperative spirit in the election process.

A ballot shall be mailed to each member of the Cooperative at least eight days before the date of the annual meeting. The ballot shall list persons nominated for the office of director as heretofore set out and shall contain a blank line upon which a member may vote for any person not nominated, but otherwise qualified.

Each member may vote for the directors of their choice by marking in the space provided thereon and shall return their ballot to the office of the Cooperative in a self-addressed envelope provided for this purpose by the Cooperative. All ballots to be valid must be delivered to the office of the Cooperative not later than 10:00 a.m. the day of the annual meeting and shall be sealed in an envelope provided by the Cooperative for that purpose.

All ballots shall be delivered in the sealed envelope to the election tellers. The election tellers shall count the same, certify the result of the election and the result shall be made public at the annual meeting of the Cooperative.

Each member of the Cooperative shall be entitled to cast one vote for each vacancy to be filled, however, proxy voting or cumulative voting shall not be permitted.

Each candidate may name one election teller by notifying the Secretary of the Board in writing of their selection not later than ten days before the date of the annual meeting. The Board shall name such additional tellers as are necessary in the opinion of the Board. The election tellers thus selected shall meet at a time and place designated by the Board. The Secretary of the Board shall notify each teller when and where the meeting will be held. The tellers shall select a chairperson and the tellers shall open the envelopes containing the ballots in the presence of each other and count the same.

Any teller may challenge the validity of any ballot and if a majority of the tellers vote to uphold the challenge, the ballot shall not be counted.

The following ballots shall not be counted:

- (1) Unmarked ballots.
- (2) Ballots marked for more candidates than vacancies to be filled.

- (3) Ballots marked for more than one candidate for any one vacancy.
- (4) Ballots other than the official ballot mailed.
- (5) Ballots arriving late.

The following ballots may be counted:

- (1) Ballots on which the mark is not in the place provided, but does show the intention of the voter.
- (2) Ballots on which there is an erasure or change of intention shown, but the election tellers are of the opinion that the ballot has not been tampered with.

The tellers shall by the signature of a majority of the members certify the number of votes received by each candidate. The report shall be delivered by the chairperson of the tellers to the Chair of the Board and the result announced at the annual meeting.

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

SECTION 5(b). SPECIAL ELECTIONS.

If a vacancy occurs on the Board of Directors, the remaining Directors shall select a qualified member of the Cooperative to fill the vacancy for the unexpired term, as long as four (4) or more Directors remain on the Board. If for any reason four (4) or more Directors do not remain on the Board, then the vacancies created shall be filled using the following procedure:

- (1) The existing nominating committee appointed by the Member Advisory Committee shall meet as soon as possible and nominate two qualified candidates for each vacancy to be filled. A special election by mail shall then be held as set out herein.
- (2) The chairperson of the nominating committee shall set a date by which ballots for the special election shall be returned to the Cooperative. This date (hereinafter called "Special Election Day"), shall not be more than 90 days following the date when the Board of Directors ceased to have four (4) or more Directors. Notice of this Special Election shall be published in the newspaper with the largest circulation in each of the counties which the Cooperative serves and this notice shall be published at least once 30 days or more prior to the "Special Election Day." Notice of the Special Election shall also be given to all members of the Cooperative at the time ballots are mailed to each member. The Secretary of the Cooperative shall be responsible for seeing that the notice of the Special Election is placed in the newspapers and the ballots are mailed to the members. However, in the event the office of Secretary is vacant, then the nominating committee shall see that this is done.
- (3) The list of nominees for Director selected by the nominating committee shall be posted in the principal office of the Cooperative at least 20 days before the election.
- (4) Ballots shall then be mailed to each member of the Cooperative eight (8) days before the election, and the election process shall then proceed as any regular election called for under Section 5 of Article IV of these Bylaws, except when the term "annual meeting" is referred to therein, the term "Special Election Day" shall be substituted under this election process, and except where the election procedures differ from those set forth in this Section 5(b).

SECTION 6. REMOVAL AND RESIGNATION OF DIRECTORS.

Any director may resign at any time by sending a written notice of such resignation to the office of the Cooperative addressed to the Secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the Secretary. Three (3) absences from regular meetings of the Board of Directors within a twelve (12) month time period, unless excused by resolution of the Board of Directors, shall automatically constitute a resignation, effective when such resignation is accepted by the Board of Directors.

SECTION 7. COMPENSATION.

Board members shall not receive any salary for their service as such. The Board may by resolution authorize a fixed sum be paid the Board Member for each day or portion thereof spent on Cooperative business, such as attendance

at meetings, conferences, and training programs or performing committee assignments when authorized by the Board, whether in or out of the State of Kentucky. If authorized by the Board, Board Members may also be reimbursed for expenses actually and necessarily incurred in carrying out such corporate business, whether or not such expenses are incurred in or out of the State of Kentucky. Any sum paid to a Board Member shall be considered business expenses of the Cooperative.

SECTION 8. IDEMNIFICATION OF OFFICERS, DIRECTORS, STAFF EMPLOYEES AND AGENTS.

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

To the extent that a director, officer, staff employee or agent of the Cooperative has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in paragraph 1, (and, in addition, actions by or in the right of, the Cooperative) of any claim, issue or matter therein, such person shall be indemnified against expenses (including all costs of defense) actually and reasonable incurred by such person in connection therewith.

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

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

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 meeting of the members. A regular meeting of the Board shall also be held monthly at such time and place within one of the counties served by the Cooperative as designated by the Board. Such regular monthly 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 may be called by the Chair or by any four Board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chair or Board

Members calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 3. NOTICE OF SPECIAL BOARD MEETINGS.

Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Board member either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chair or the Board members calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Board member at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

SECTION 4. QUORUM AND VOTING.

A majority of the Board shall constitute a quorum, provided that if less than such majority of the Board is present at said meeting, a majority of the Board present may adjourn the meeting from time-to-time; provided further, that the Secretary shall notify any absent Board members of the time and place of such adjourned meeting. The act of a majority of the Board members present at a meeting at which a quorum is present at the time of the vote, shall be the act of the Board, except as otherwise provided in these Bylaws. The Chair along with all other Directors shall have the right to vote on any issue brought before the Board, so long as there is no conflict of interest.

SECTION 5. CONFERENCE CALLS.

One or more Directors may participate in a meeting of the Board of Directors, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting by means of conference or telephone or similar communications equipment shall constitute presence in person at such meeting for purposes of determining the presence of a quorum. Meetings of committees established by the Board of Directors may also be conducted by conference telephone or similar communications equipment. No Director may take advantage of participating in a meeting by this method more than three times in a 12 month period.

ARTICLE VI

OFFICERS

SECTION 1. NUMBER.

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

SECTION 2. ELECTION AND TERM OF OFFICE.

The officers should be elected by secret ballot annually by and from the Board at the meeting of the Board held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in an 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 the Board may be removed by two-thirds vote of the Board for cause whenever in its judgment the best interest of the Cooperative will be served thereby. The officer subject to removal shall not have a vote on their own removal.

SECTION 4. CHAIR.

The Chair shall:

- (a) be the principal executive officer of the Cooperative and, unless otherwise determined by the members of the Board, shall preside at all meetings of the members and the Board;
- (b) sign by facsimile signature or otherwise with the Secretary certificates of

membership, the issue of which shall have been authorized by the Board or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Cooperative or shall be required by law to be otherwise signed or executed; and,

(c) in general, perform all duties incident to the office of the Chair and such other duties as may be prescribed by the Board from time-to-time.

SECTION 5. VICE CHAIR.

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

SECTION 6. SECRETARY.

The Secretary shall be responsible for:

- (a) keeping, or causing to be kept, the minutes of the meetings of the members and 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; the affixing thereof to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- (d) keeping a register of the names and post office addresses of all members;
- (e) signing by facsimile signature or otherwise with the Chair certificates of membership the issue of which shall have been authorized by the Board or the members;
- (f) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to inspection of any member) and at the expense of the Cooperative, furnishing a copy of the Bylaws and of the amendments thereto to any member upon request; and,
- (g) in general performing all duties incident to the office of Secretary and such other duties as may be prescribed by the Board from time-to-time.

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 may be assigned by the Board from time-to-time.

SECTION 7(a). DELEGATION OF RESPONSIBILITY.

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

SECTION 8. PRESIDENT AND CEO

The Board shall appoint a President and CEO who shall be responsible for the management and operation of the Cooperative and shall perform such other duties and exercise such authority as prescribed by the Board.

SECTION 9. BONDS OF OFFICERS.

The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded

in such sum 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 bonded in such amount and with such surety as it shall determine.

SECTION 10. REPORTS.

The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII

NON-PROFIT OPERATION

SECTION 1. INTEREST OR DIVIDEND ON CAPITAL PROHIBITED.

The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members 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 members will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of electric energy 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 members as capital. The Cooperative is obligated to pay, by credits to a capital account for each member, all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall, within a reasonable time after the close of the fiscal year, notify each member of the amount of capital so credited to their account. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital. This shall be done in accordance with policies adopted from time-to-time by the Board of Directors.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year, and (b) to the extent not needed for that purpose, allocated to its members on a patronage basis and any amounts so allocated shall be included as part of the capital credited to the accounts of members, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to members' accounts may be retired in full or in part.

Capital credited 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 successors in occupancy in all or a part of such member's premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise. Capital credited to the account of each member shall not be used by the member as a set-off against any amounts owed by the member to the Cooperative, unless a general retirement of capital credits is being made to all members, in which event the member may, by written application to the Cooperative, request such a set-off. The Cooperative itself, upon its own initiative, shall have the right to set-off against delinquent

accounts of a member at the time of a general retirement of capital credits or upon the death of a member.

Notwithstanding any other provision of these Bylaws, the Board shall have the power at any time upon the death of any member, who is a natural person, if the legal representatives of the 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 member immediately upon such terms and conditions as the Board, acting under policies of general application, shall determine that the financial condition of the Cooperative will not be impaired thereby.

The Cooperative, before retiring any capital credits to any member's account, shall deduct therefrom any amount owing by such member to the Cooperative, together with interest thereon at the Kentucky legal rate on judgments in effect when such amount became due, compounded annually, and such member hereby grants the Cooperative a security interest against such capital credits for such amounts owed.

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

ARTICLE VIII

DISPOSITION OF PROPERTY

The Cooperative may authorize the sale, lease, lease-sale, exchange, transfer or other disposition of any of the Cooperative's properties and assets only upon the affirmative votes of a majority of the then-total members of the Cooperative at a duly held meeting of the members. However, the Board of Directors shall have full power and authority:

- (a) to borrow monies from any source and in such amounts as the Board may from time-to-time determine;
- (b) to mortgage or otherwise pledge or encumber any or all of the Cooperative's properties or assets as security therefore; and
- (c) to lease, lease-sell, exchange, transfer or otherwise dispose of services and electric energy, property acquired for resale, merchandise, property not necessary or useful for the operation of the Cooperative.

ARTICLE IX

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 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, 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 from time-to-time to the credit of the Cooperative in such bank or banks as the Board 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 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 X

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 ground 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 the management of the business and affairs of the Cooperative.

SECTION 3. ACCOUNTING SYSEYEM AND REPORTS.

The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time-to-time be designated by the Administrator of the Rural Utilities Service of the United States of America. The Board shall also after the close

of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting.

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 service and, (b) meet all requirements established by the Cooperative as a condition of such service.

SECTION 4(a). ACCESS TO LANDS AND PREMISES.

Without being paid compensation therefore, each member shall grant and give to the Cooperative free access on to his, her or its lands and premises for the purpose of placing, locating, building, constructing, operating, replacing, rebuilding, relocating, repairing, improving, enlarging, extending and maintaining on, over or under such lands and premises, or removing therefrom its electric distribution system, new or existing lines, wires, poles, anchors, and other necessary or appurtenant parts thereof. Any unusual or excessive use of lands are to be compensated for, which compensation shall be voted on upon a majority vote of the Board of Directors.

SECTION 5. SEAL.

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal Nolin Rural Electric Cooperative Corporation of Kentucky."

ARTICLE XI

AMENDMENTS

These Bylaws may be altered, amended, or repealed by a majority vote of the Board of Directors at any regular or special meeting of said Board, and the authority to make any such changes is vested solely in the Board of Directors.

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