



# BYLAWS OF CUMBERLAND VALLEY ELECTRIC, INC. Gray, Kentucky Revised November 2004

## CUMBERLAND VALLEY ELECTRIC

The aim of Cumberland Valley Electric is to make electric energy available to its members at the lowest cost consistent with sound economy and good management

### ARTICLE I MEMBERS

**SECTION 1. Qualifications and Obligations.** Any person, firm, corporation or political body may become a member of Cumberland Valley Electric by:

- (a) paying the membership fee hereinafter specified;
- (b) agreeing to purchase from Cumberland Valley Electric energy as hereinafter specified; and
- (c) agreeing to comply with and be bound by the Articles of Incorporation of Cumberland Valley Electric and these bylaws and any amendments hereto and such rules and regulations as may from time-to-time be adopted by the Board of Directors, provided, however, that no person, firm, corporation or political body shall become a member unless and until he or it has been accepted for membership by the Board of Directors or the members. No firm, person, corporation or political body may own more than one (1) membership in Cumberland Valley Electric

A husband and wife shall be considered a joint member and their application for membership may be accepted in accordance with the foregoing provisions of the above subdivisions (a), (b) and (c)

**SECTION 2. Membership Fee.** The membership fee shall be fixed by the Board of Directors

**SECTION 3. Purchase of Electric Energy.** Each member shall as soon as electric energy shall be available, purchase from Cumberland Valley Electric all electric energy used on the premises specified in his application for membership, and shall pay therefor monthly at rates which shall from time-to-time be fixed by the Board of Directors; provided however, that the Board of Directors may limit the amount of electric energy which Cumberland Valley Electric shall be required to furnish to any member. It is expressly understood that the 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 by these bylaws. Each member shall pay to Cumberland Valley Electric such minimum amount per month, regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time-to-time. Each member shall also pay all amounts owed by him to Cumberland Valley Electric as and when the same shall become due and payable

**SECTION 4. Non-liability for Debts of Cumberland Valley Electric.** The private property of the members of Cumberland Valley Electric shall be exempt from execution for the debts of Cumberland Valley Electric and no member shall be individually liable or responsible for any debts or liabilities of Cumberland Valley Electric

**SECTION 5. Expulsion of Members.** The Board of Directors of Cumberland Valley Electric may by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cumberland Valley Electric or these bylaws for any rules and regulations adopted from time-to-time by the Board of Directors

**SECTION 6. Withdrawal of Membership.** Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to Cumberland Valley Electric and upon compliance with such terms and conditions as the Board of Directors may prescribe

### SECTION 7. Transfer and Termination of Membership.

- (a) Membership in Cumberland Valley Electric and a certificate representing the same shall not be transferable, except as hereinafter provided, and upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate and the certificate of membership of such member shall be surrendered forthwith to Cumberland Valley Electric
- (b) A membership by a husband and a wife, considered a joint membership and upon the death of either joint member shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and upon the recording of such death on the books of Cumberland Valley Electric, the Certificate may be reissued to and in the name of such survivors; provided however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cumberland Valley Electric

### ARTICLE II MEETINGS OF MEMBERS

**SECTION 1. Annual Meeting.** The Annual Meeting of the members shall be held at any such time and place designated by the Board of Directors, as shall be designated in the notice of the meeting, for the purpose of

announcing the election of directors, passing upon reports covering the previous fiscal year, and transacting such other business as may come before the meeting

**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 (4) board members, or 500 or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Board of Directors shall designate the place at which the special meeting shall be held in a county served by Cumberland Valley Electric

**SECTION 3. Notice of Members' Annual Meetings.** Written or printed notice stating the place, day and hour of the meeting shall be delivered not less than seven (7) days nor more than twenty (20) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the Annual Meeting, to each member. Such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the address as it appears on the records of Cumberland Valley Electric, with postage thereon prepaid. In case of a joint membership, notice given to either husband or wife shall be deemed notice to both members. The failure of any member to receive notice of an Annual Meeting of the members shall not invalidate any action which may be taken by the members at any such meeting

**SECTION 4. Quorum.** 100 of the membership present in person shall constitute a quorum for the transaction of business at all meetings of the members. In case of a joint membership, the presence at a meeting of either husband or wife, or both, shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time-to-time without further notice

**SECTION 5. Voting.** Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at, or in conjunction with, a meeting of the members. At all meetings of the members at which a quorum is present, 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 of Cumberland Valley Electric, or these bylaws, and except that voting for members of the Board of Directors shall be by mail, in accordance with Article III of these bylaws. Husband and wife are deemed to hold a joint membership, and they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote

**SECTION 6. Proxies prohibited.** Voting by proxy is prohibited by these bylaws

**SECTION 7. Agenda.** No proposal from a member or group of members shall be voted upon at the annual meeting or any special meeting unless it has been placed on the agenda at least sixty (60) days prior to the date of such meeting. Such proposal may be placed on agenda by a petition signed by one hundred (100) members, by filing a copy of the proposal with the secretary within time allowed

**SECTION 8. 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:

1. Call of the roll
2. Reading of the notice of the meeting and proof of due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be
3. Reading of the unapproved minutes of previous meetings of the members and the taking of necessary action thereon
4. Presentation and consideration of, and acting upon, reports of officers, directors and committees
5. Announcement of the election of directors
6. Unfinished business
7. New business
8. Adjournment

### ARTICLE III DIRECTORS

**SECTION 1. Number and General Powers.** The business and affairs of Cumberland Valley Electric shall be managed by a Board currently consisting of seven (7) directors, which shall be reduced to five (5) directors effective with the Annual Meeting in 2005, as provided in Article III, Section 2 of these bylaws. The Board shall exercise all of the powers of Cumberland Valley Electric except such as are by law or by Cumberland Valley Electric's Articles of Incorporation or bylaws conferred upon or reserved to the members.

**SECTION 2. Districts.** To insure the distribution of Board members throughout the area served by Cumberland Valley Electric, the territory served or to be served by it shall be divided into districts from which Board members shall be elected from time to time as provided for in these bylaws. The original districts and the number of directors to be elected from each are:

1	Whitley & McCreary counties	1
2	Knox, Bell & Laurel counties	1

3	Knox, Bell & Laurel counties	1
4	Harlan, Leslie & Letcher counties	1
5	Harlan, Leslie & Letcher counties	1
6	Whitley & McCreary counties	1
7	Co-op Wide	1

Effective with the 2005 Annual Meeting Districts 5 and 7 shall be eliminated, and District 6 shall be re-designated as District 5. After the 2005 Annual Meeting, the districts shall be as follows:

District Number	Counties In District	Number of Directors
1	Whitley & McCreary counties	1
2	Knox, Bell & Laurel counties	1
3	Knox, Bell & Laurel counties	1
4	Harlan, Leslie & Letcher counties	1
5	Whitley & McCreary counties	1

**SECTION 3. Qualifications.** Any active member in good standing above the age of eighteen (18) years who is a high school graduate, as evidenced by high school diploma, shall be eligible to be a director, provided, however, that no member shall be eligible to become or remain a director, or to hold any position of trust who is not a bona fide resident of the area served by Cumberland Valley Electric at the time he is elected a director. Any director, who is so elected, may remain a director until the expiration of the term to which he is elected, subject to the approval of the Board. No member shall be elected a director, who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to Cumberland Valley Electric, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to members of Cumberland Valley Electric, or who is doing business with Cumberland Valley Electric, and no person shall take or hold office as a director who is the incumbent of or candidate for an elective public office in connection with which a salary is paid. When a membership is held jointly by a husband or wife, either one, but not both, may be elected a director; provided however, that neither one shall be eligible to become a director or to remain a director, or to hold position of trust in Cumberland Valley Electric unless both shall meet the qualifications herein above set forth. Nothing in this section contained shall, or shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

**SECTION 4. Election-Tenure.** Board members shall be elected by the members at large and announced at the Annual Meeting of members. Board members elected prior to 2005 shall complete terms of three (3) years, ending with the third annual meeting following their election, and except for members from districts eliminated in 2005, until their successors shall have been elected, declared qualified and seated. Board members elected in 2005 and thereafter, shall serve for terms of four (4) years each, ending with the fourth annual meeting following their election, and until their successors shall have been elected, declared qualified and seated. The seating of a new director shall occur at the next regular scheduled meeting of the Board of Directors. Board members for Districts 1, 3 and 5 shall be elected in 2005 and each fourth year thereafter. Board members for Districts 2 and 4 shall be elected in 2006 and each fourth year thereafter.

Board members whose terms are expiring are eligible for re-election.

The election of Board members shall be by mailed ballot. The ballots shall list the candidates nominated according to districts, giving their names and addresses. Each member of Cumberland Valley Electric shall be entitled to vote for one candidate from each district. The candidate from each district receiving the highest number of votes at the meeting shall be considered elected a board member.

Should the committee on nominations nominate only one candidate to run for the office of director to fill each vacancy caused by the expiration of a director's term, and should no candidate be nominated from the membership by written petition as set forth in Article III, Section 5, of the bylaws, then the secretary of the Board shall certify to the Board that no petition has been filed pursuant to the bylaws, and that the candidates nominated by the committee on nominations are therefore officially without opposition; thereupon, the candidates nominated by the committee on nomination shall be deemed elected to the Board without the necessity of mailing official ballots through United States mail and following the election procedures as set forth in these bylaws, and the Secretary of the board will so announce, or cause to be announced at the Annual Membership Meeting candidates elected to the Board of Directors. All of the remaining provisions of Article III not in conflict herewith shall remain in full force and effect.

The Chairman of the Board shall appoint a certified public accountant, licensed in Kentucky, as provost, who shall take charge of the director elections and shall be responsible for the duties specified herein. It shall be the duty of the provost to see that the official ballots are mailed to each active and qualified member at his or her last address shown on the Cooperative records. Only actual members of record at the close of business thirty (30) days prior to the scheduled Annual Meeting date are qualified for the purpose of voting in the election of the directors. Ballots will be mailed not less than fourteen (14) days prior to said annual meeting.

The official ballot shall be inscribed with instructions by the provost of the Cooperative as to how many candidates may be voted for on each official ballot by the members and with instructions that all official ballots must be returned to the Cooperative only by U S mail and received by the Cooperative not later than 9:00 a.m. on the morning of the third (3rd) day prior to the said Annual Meeting.

The duties of the provost regarding votes and counting shall be as follows:

1. No later than 10:00 a.m. on the morning of the third day prior to the annual meeting of the members the provost shall remove the ballots from the ballot box and examine each ballot to ascertain if the ballot has been voted in accordance with the rules as outlined on the ballot under instruction for voting and these bylaws;
2. Any and all official ballots which are deemed invalid by the provost for reasons set forth in the aforementioned rules or these bylaws shall not be counted and shall immediately be placed in a ballot box for rejected ballots and shall be retained by the provost of the Cooperative in safekeeping until sixty (60) days after the date of the completion of the counting of the ballots.

The following ballots shall not be counted:

1. A ballot marked for a greater number of candidates than there are vacancies to be filled;
2. Ballots other than the Official Ballot;
3. Ballots not received through the United States mail;
4. Ballots received by the Cooperative after 9:00 a.m. on the morning of the third day prior to the date of Annual Meeting;
5. Ballots with the certification on outer envelope not signed by member; or authorized agent;
6. Ballots from members voting more than one ballot.
7. Ballots containing write-in votes.

The reason for rejection of a ballot shall be noted thereon and such ballot shall be placed in the ballot box containing rejected ballots;

When the ballot is found to meet the requirements as set out in the instruction for voting and is in conformity with the provisions and requirements of these bylaws, said ballot shall be declared an official ballot and all valid votes cast thereon shall be tabulated.

The provost shall count the ballots as expeditiously as may be possible following the placement in his hands of said ballots. During the counting of the ballots no persons other than the provost or the candidates or their duly authorized representative may be

present in the counting room other than the President & CEO of the Cooperative, the Cooperative's Legal Counsel, and any other Cooperative personnel the provost deems necessary to assist with the counting of the ballots. After the ballots have been duly counted the result of such election shall be announced at the subsequent Annual Meeting of the members.

For safekeeping all official and valid ballots which have been counted shall be placed in the hands of the provost for (60) days from the date of the completion of the official counting and tabulation.

The provost shall promptly upon completion of the counting of the membership votes, certify in writing to the secretary of the Cooperative the names of the candidates receiving the highest number of votes taking into account the number of vacancies to be filled.

In the case of a tie, this fact shall be certified in writing by the provost to the secretary of the Cooperative. The tie shall be broken and winner determined by a coin toss conducted by Cooperative Legal Counsel. If a candidate requests a recount or contests the election results, he or she shall submit a written request to the Cooperative's Legal Counsel before noon of the next business day. A detailed explanation for the request must be included. The decision of the Cooperative's Legal Counsel shall be final.

**SECTION 5. Nominations.** It shall be the duty of the Board of Directors to appoint, not less than ninety (90) days before the date of the Annual Meeting of the members in conjunction with which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than seven (7) members who shall be selected so as to give equitable representation on the committee to the geographical areas served, or to be served by Cumberland Valley Electric. No officer or member of the Board of Directors shall be appointed a member of such committee. The nominating committee will report to the Board of Directors ninety (90) days prior to such Annual Meeting their list of nominations for directors. The committee shall prepare and post at the principal office of Cumberland Valley Electric at least twenty (20) days before the meeting a list of nominations for directors. (But 500 or more members may make other nominations in writing, over their signatures, not less than ninety (90) days prior to the meeting, and the Secretary shall post the nominations made by petition, if any at the same place where the nominations committee's list of nominations is posted. However, no write-in votes shall be permitted in the election of members of the Board of Directors.

**SECTION 6. Vacancies.** Vacancies occurring for any reason in the Board of Directors shall be filled by a majority vote of the remaining directors, and directors thus elected shall serve until the term of office to which he has been elected expires.

**SECTION 7. Compensation.** Compensation for Directors shall be determined by the Board. If authorized by the Board, Board Members may also be reimbursed for expense actually and necessarily incurred carrying out Cumberland Valley Electric business, or granted a reasonable per diem allowance in lieu of detailed accounting of these expenses.

**SECTION 8. Directors' Liability and Indemnification.** A director of Cumberland Valley Electric shall not be personally liable to Cumberland Valley Electric or its shareholders for monetary damages for breach of his duties as a director, provided that this position shall not eliminate or limit the liability of a director for the following: (i) for any transaction in which the director's personal financial interest is in conflict with the financial interests of Cumberland Valley Electric or its shareholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or are known to the director to be a violation of law; (iii) for any vote for or assent to an unlawful distribution to shareholders as prohibited under KRS 271B 8-330; or (iv) for any transaction from which the director derived an improper personal benefit. This Section 8 shall continue to be applicable with respect to any such breach of duties by a director of duties by a director of Cumberland Valley Electric as a director notwithstanding that such director thereafter ceased to be a director and shall inure to the personal benefit of heirs, executors and administrators. Cumberland Valley Electric may purchase insurance and otherwise indemnify the director against liability, including court costs and attorney fees, to the extent that their acts or omissions constituting the grounds for and alleged liability were performed in their official capacity and, if actionable, were based on good faith business judgements in the belief that the acts or omissions were in the best interest of Cumberland Valley Electric.

**SECTION 9. Rules and Regulations.** the Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these bylaws, as it may deem advisable for the management, administration and regulation of the business affairs of Cumberland Valley Electric.

**SECTION 10. Accounting System and Reports.** The Board of Directors shall cause to be established and maintained, a complete accounting system, which, among other things, subject to applicable laws 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. All accounts of Cumberland Valley Electric shall be examined by a committee of the Board of Directors which shall render reports to the Board of Directors at least four (4) times a year at regular meetings of the Board of Directors. The Board of Directors shall also within thirty (30) days after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of Cumberland Valley Electric at the of such fiscal year. Such audit reports shall be submitted to the members at the following annual meeting.

**SECTION 11. Director Emeritus and Management Advisory Council.** Policy Statement Numbers 62 and 63, adopted by the Board of Directors, February 17, 1983, and which became effective on that date, as amended on October 17, 1985, which policies deal with Directors Emeritus and Management Advisory Council shall not apply to any member of the present Board of Directors unless a present member of the board of Directors elects to come within the purview of said policy.

**SECTION 12. Removal of Director.** Any member may bring charges against a director by filing them in writing with the Secretary, together with a petition signed by thirty per centum (30%) of the members, requesting the removal of the director in question. The removal shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The director whom such charges have been brought shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity.

**SECTION 13. Employment of Directors' Relatives Prohibited.** No member of the immediate family of a

Director elected to the Board of Directors after January 1, 2005 shall be eligible for employment by Cumberland Valley Electric. For the purpose of this Section 13, the term "immediate family" shall include children, step children, grandchildren, siblings, step siblings, half siblings, spouses, parents, step parents, grandparents, aunts, uncles, nieces, nephews, first cousins, brothers-in-law, sisters-in-law, daughters-in-law, sons-in-law, mothers-in-law, and fathers-in-law of the Director or of the spouse of the Director. This section shall not apply to the immediate family of Directors serving as of January 1, 2005, unless such Director leaves the Board of Directors and is subsequently re-elected.

#### ARTICLE IV MEETINGS OF DIRECTORS

**SECTION 1. Regular Meetings.** A regular meeting of the Board of Directors shall be held without notice other than this bylaw immediately after, and at the same place as the annual meeting of the members. A regular meeting of the Board of Directors shall be held monthly at such time and place in Knox County, Kentucky, as said Board may provide by resolution. Such regular meetings may be held without notice other than such resolutions fixing the time and place thereof.

**SECTION 2. Special Meetings.** Special meetings of the Board of Directors may be called by the President or any two (2) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place (which shall be in Knox County, Kentucky), for the holding of any special meeting of the Board of Directors called by them.

**SECTION 3. Notice.** Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least two (2) days previous thereto, by written notice, delivered personally or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

**SECTION 4. Quorum.** A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time-to-time without further notice.

**SECTION 5. Manner of Action.** The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

#### ARTICLE V OFFICERS

**SECTION 1. Number.** The officers of Cumberland Valley Electric shall be a President, Vice President, Secretary and Treasurer, and such other officers as the Board of Directors may determine from time-to-time. The offices of Secretary and Treasurer may be held by the same person.

**SECTION 2. Election and Terms of Office.** The officers shall be elected, by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after each 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 conveniently may be. Each officer shall hold office until the first meeting of the members or until his term shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

**SECTION 3. Removal.** Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of Cumberland Valley Electric will be served thereby.

**SECTION 4. Vacancies.** Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

**SECTION 5. President.** The President:

- (a) shall be the principal executive officer of Cumberland Valley Electric and shall preside at all meetings of the members and of the Board of Directors;
- (b) shall sign, with the Secretary certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors, and may sign any checks, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of Cumberland Valley Electric, or shall be required by law to be otherwise signed or executed; and,
- (c) in general, shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time-to-time.

**SECTION 6. Vice President.** In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time-to-time may be assigned to him by the Board of Directors.

**SECTION 7. Secretary.** The Secretary shall:

- (a) keep the minutes of the members and the Board of Directors in one or more books provided for that purpose;
- (b) see that all notes are duly given in accordance with these bylaws or as required by law;
- (c) be custodian of Cumberland Valley Electric records and of the seal of Cumberland Valley Electric and see that the seal of Cumberland Valley Electric is affixed to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of Cumberland Valley Electric under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member;
- (e) sign with the President certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors;
- (f) have general charge of the books of Cumberland Valley Electric in which a record of the members is kept; keep on file at all times a complete copy of the bylaws of Cumberland Valley Electric containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of Cumberland Valley Electric forward a copy of the bylaws and of all amendments thereto each member; and,
- (g) in general, perform all duties incident to the office of Secretary and such other duties as from time-to-time may be assigned to him by the Board of Directors.

**SECTION 8. Treasurer.** The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of Cumberland Valley Electric;
- (b) receive and give receipts for monies due and payable to Cumberland Valley Electric from any source whatsoever, and deposit all such monies in the name of Cumberland Valley Electric in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and,
- (c) in general, perform all the duties incident to the office of Treasurer and such other duties from time-to-time as may be assigned to him by the Board of Directors.

**SECTION 9. Manager.** The Board of Directors may appoint a manager who may be, but who shall not be required to be a member of Cumberland Valley Electric. The manager shall perform such duties as the Board of Directors may from time-to-time require of him and shall have such authority as the Board of Directors may from time-to-time vest in him.

**SECTION 10. Bonds of Officers.** The Board of Directors shall require the Treasurer or any other officer of Cumberland Valley Electric charged with responsibility for the custody of any of its funds or property, to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of Cumberland Valley Electric to give bond in such amount and with such surety as it shall determine.

**SECTION 11. Compensation and Indemnification.** The Board of Directors shall fix the compensation of all officers, agents and employees of Cumberland Valley Electric. Cumberland Valley Electric may purchase insurance and otherwise indemnify any officers of Cumberland Valley Electric to the same extent as provided in Article III, Section 8 for directors.

**SECTION 12. Reports.** The officers of Cumberland Valley Electric shall submit at each Annual Meeting of the members reports covering the business of Cumberland Valley Electric for the previous fiscal year and showing the condition of Cumberland Valley Electric at the close of such fiscal year.

#### ARTICLE VI CONTRACTS, CHECKS AND DEPOSITS

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

**SECTION 2. Checks, Drafts, etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of Cumberland Valley Electric shall be signed by such manner as shall from time-to-time be determined by resolution of the Board of Directors.

**SECTION 3. Deposits.** All funds of Cumberland Valley Electric shall be deposited from time-to-time to the credit of Cumberland Valley Electric in such bank or banks as the Board of Directors may select.

#### ARTICLE VII MEMBERSHIP CERTIFICATES

**SECTION 1. Certificates of Membership.** Membership in Cumberland Valley Electric shall be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of Cumberland Valley Electric or these bylaws. Such certificate shall be signed by the President and by the Secretary of Cumberland Valley Electric and the Corporate Seal shall be affixed thereto.

**SECTION 2. Issue of Membership Certificates.** No membership certificates shall be issued for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid for in cash, and such payment has been deposited with the Treasurer.

**SECTION 3. Lost Certificate.** In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to Cumberland Valley Electric as the Board of Directors may prescribe.

#### ARTICLE VIII NON-PROFIT OPERATION

**SECTION 1. Interest or Dividends on Capital Prohibited.** Cumberland Valley Electric shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by Cumberland Valley Electric on any capital furnished by its patrons.

**SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy.** In the furnishing of electric energy Cumberland Valley Electric's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for Cumberland Valley Electric. In order to induce patronage and to assure that Cumberland Valley Electric will operate on a non-profit basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating cost and expenses at the moment of receipt by Cumberland Valley Electric are received with the understanding that they are furnished by the patrons, members and non-members alike as capital. Cumberland Valley Electric is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of Cumberland Valley Electric shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and Cumberland Valley Electric shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of legal obligation to do so and the patron had then furnished Cumberland Valley Electric corresponding amounts for capital.

In the event of dissolution or liquidation of Cumberland Valley Electric, after all outstanding indebtedness of Cumberland Valley Electric 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 of Directors shall determine that the financial condition of Cumberland Valley Electric will not be impaired thereby, the capital then credited to patron accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by Cumberland Valley Electric being first retired. In no event, however may any such capital be retired unless, after the proposed retirement, the capital of Cumberland Valley Electric shall equal at least forty per centum (40%) of the total assets of Cumberland Valley Electric. Capital credited to the account of each patron shall be assignable only on the books of Cumberland Valley Electric pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or part of such patron's premises served by Cumberland Valley Electric unless the Board of Directors, acting under policies of general application shall determine otherwise.

In the event that non-member patron shall elect to become a member of Cumberland Valley Electric, the capital credited to the account of such non-member patron may be applied by Cumberland Valley Electric toward the payment of a membership fee on behalf of such non-member patron.

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 patron, if the legal representative of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estates shall agree upon; provided, however, that the financial condition of Cumberland Valley Electric will not be impaired thereby.

The patrons of Cumberland Valley Electric, by dealing with Cumberland Valley Electric, acknowledge that the terms and provisions of the Articles of Incorporation and bylaws shall constitute and be a contract between Cumberland Valley Electric and each patron, and both Cumberland Valley Electric and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of Cumberland Valley Electric by posting it in a conspicuous place in Cumberland Valley Electric's office.

**SECTION 3. Patronage Refunds in Connection with Furnishing Other Services.** In the event that Cumberland Valley Electric should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of cost and expenses properly chargeable against the furnishings of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons, members and non-members alike, from whom such amounts were obtained.

#### ARTICLE IX WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by these bylaws. In case of a joint membership, a waiver of notice signed by either husband or wife shall be deemed a waiving notice of both joint members.

#### ARTICLE X DISPOSITION OF PROPERTY

**SECTION 1. Vote Requirement and Procedures.** No merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of Cumberland Valley Electric's properties and assets shall be authorized except in conformity with the following:

1. If the Board of Directors looks with favor upon any proposal for such merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of Cumberland Valley Electric's properties and assets, it shall first cause three independent, non-affiliated appraisers, expert in such matters to render their individual opinions as to the value of Cumberland Valley Electric with respect to merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of Cumberland Valley Electric's properties and assets, and as to any other terms and conditions which should be considered. The three such appraisers shall be designated by the Knox Circuit Court Judge. If such Judge refuses to make such designations, they shall be made by the Board of Directors.
2. If the Board of Directors, after receiving such appraisals (and other terms and conditions which are submitted, if any), determines that the proposal shall be submitted for consideration by the members, it shall first give every other electric cooperative situated and operating in Kentucky (which has not made such an offer) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric cooperative, which notice shall be attached to a copy of the proposal which Cumberland Valley Electric has already received and copies of the respective reports of the three appraisers. Such electric cooperatives shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.
3. If the Board then determines that favorable consideration shall be given to the initial or any subse-

- quent proposal which has been submitted to it, it shall first adopt by the affirmative vote of 3/4 of all directors a resolution recommending the transaction and directing the submission of the proposal to a vote of not less than a (majority) of the total members and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not sooner than ninety (90) days after the giving of such notice to the members; PROVIDED, that consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such Annual Meeting is held not sooner than ninety (90) days after the giving of such notice.
4. Any two hundred (200) or more members, by so petitioning the Board not less than twenty (20) days prior to date of such special or Annual Meeting, may cause Cumberland Valley Electric, with the cost to be borne by Cumberland Valley Electric, to mail to all members any opposing or alternate positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.
5. The provisions of this Section 1 shall not apply to a sale, merger, consolidation, sale of assets, lease, lease-sale, exchange, transfer, or other disposition of all or substantially all of Cumberland Valley Electric's properties and assets to one or more electric cooperatives chartered under KRS Chapter 279 or if the substantive or actual legal effect thereof is to merge or consolidate with such of the one or more electric cooperatives.
6. This bylaw shall take effect upon the affirmative vote of not less than three-fourths (3/4) of all directors; and shall remain in effect until altered, amended, or repealed by a similar vote of all directors and not less than a majority of the total members.

**SECTION 2. Evaluative Considerations.** In connection with the exercise of its judgment in determining what is in the best interest of Cumberland Valley Electric and its members when evaluating any proposal for merger, consolidation, sale of assets, lease, transfer, or other disposition of substantially all of Cumberland Valley Electric's assets, the Board of Directors shall, in addition to considering the adequacy of the amount to be paid in connection with the transaction, consider all of the following factors and other factors which it deems relevant: 1. The societal and economic effects of the transaction upon Cumberland Valley Electric's employees; 2. The societal and economic impact of the transaction upon the community and service territories; and 3. The long-term as well as short-term interest of Cumberland Valley Electric and its members, including the possibility that these interests may be best served by the continued existence of Cumberland Valley Electric.

#### ARTICLE XI FISCAL YEAR

The fiscal year of Cumberland Valley Electric shall begin on the first (1) day of January of each year and end on the thirty-first (31) day of December of the same year.

#### ARTICLE XII MEMBERSHIP IN OTHER ORGANIZATION

Cumberland Valley Electric shall not become a member of any organization or purchase stock in any other organization without the majority vote of the Board.

#### ARTICLE XIII SEAL

The corporate seal of Cumberland Valley Electric shall be in the form of a circle and shall have inscribed thereon the name of Cumberland Valley Electric and words "Corporate Seal, Kentucky."

#### ARTICLE XIV AMENDMENTS

These bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of all the directors at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.