

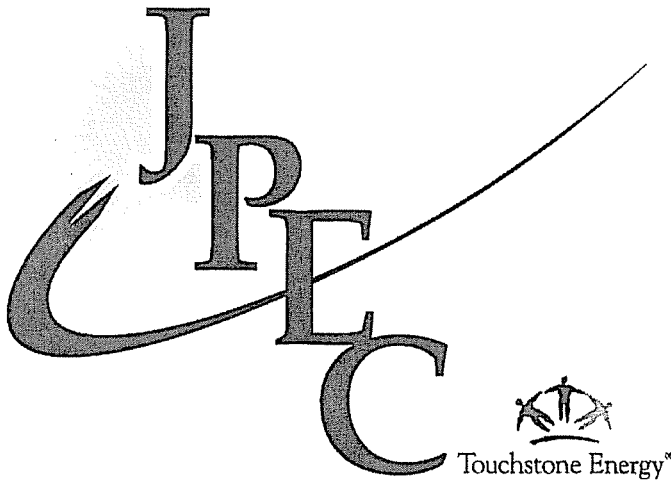
**Exhibit V**

**Bylaws of Jackson Purchase Energy Corporation**

# BYLAWS

# 2006

with  
Changes Reflected



(2006)  
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*Revised August, 2006*

## BYLAWS (2006)

### ARTICLE I MEMBERSHIP

**Section 1 – Requirements for Membership.** Any person, firm, association, corporation, or body politic or subdivision thereof shall be eligible to become a member of and to receive electric service from Jackson Purchase Energy Corporation (hereinafter called the “Corporation”) at one or more premises owned or directly occupied or used by him or it, provided that he or it has first:

- (a) made appropriate written application for membership therein;
- (b) agreed to purchase from the Corporation electric energy as hereinafter specified;
- (c) agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Corporation and any rules and regulations adopted by the Board of Directors (hereinafter called the “Board”); and
- (d) paid any applicable fees as approved and adopted by the Board.

Provided, however, that all applications for membership shall be automatically accepted, unless the Board determines that the applicant is unable or unwilling to meet all related terms and conditions of service, or that the application should be rejected for good cause. No member may hold more than one (1) membership in the Corporation, and no membership in the Corporation shall be transferable except as provided in these Bylaws.

**Section 2 - Records of Membership.** The Corporation shall maintain an appropriate record of the members of the Corporation and the capital credited to the account of each member as required in the Bylaws. Membership and capital credit records shall be available in accordance with the provisions of the Bylaws.

**Section 3 – Joint Membership.** A husband and wife may apply for a joint membership subject to their compliance with the requirements set forth in Sections 1 and 2 of this Article and may be accepted for such membership. The term “member” as used in these Bylaws shall be deemed to include a husband and wife holding a joint membership and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of the joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one (1) 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;
- (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, except as otherwise provided in Section 4(c) of this Article;

- (g) Either, but not both, may be elected or appointed as an officer or director, provided that the candidate meets the qualifications for such office.

**Section 4 – Conversion of Membership.**

- (a) A membership may be converted to a joint membership upon the request of the holder thereof and the agreement by such holder and his or her spouse to comply with Articles of Incorporation, Bylaws and rules and regulations adopted by the Board.
- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor provided, however, that the estate of the deceased shall not be released from any debts due the Corporation.
- (c) A joint membership of a husband and wife may be converted to a single membership upon written request of both holders of the joint membership, provided, however, that neither spouse shall be released from any debts due the Corporation. The continuing member shall agree to comply with the Articles of Incorporation, Bylaws and rules and regulations adopted by the Board.

**Section 5 – Membership.** Membership is granted upon connection of service and payment of any applicable fees as approved and adopted by the Board.

**Section 6 – Purchase of Electric Energy.** Each member shall, as soon as electric energy shall be available, purchase from the Corporation all electric energy used on the premises specified in his application for membership and shall pay therefor at rates which shall from time to time be fixed by the Board. 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 Corporation such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by him to the Corporation as and when the same shall become due and payable. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be subject to appropriate regulations, as shall be fixed from time to time by the Corporation. A member shall make available to the Corporation a suitable site for the placement of the Corporation's physical facilities for the furnishing and metering of electric service and will be required to permit the access by the Corporation's authorized agents, etc.

**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, by the affirmative vote of not less than two-thirds ( $\frac{2}{3}$ ) of all the directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules and regulations adopted by the Board, but only if such member shall have been given written notice by the Corporation that such failure makes him liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by vote of the Board. The membership of a member who, for a period of six (6) months after service is available to him, has not purchased electric energy from the Corporation may be cancelled by resolution of the Board.

- (b) Upon the withdrawal, death, cessation of existence, or expulsion of a member, his or its membership shall thereupon terminate. The Corporation shall refund the amount of the membership fee paid, if any, or the Corporation will apply the amount of the membership fee to any debts or obligations owed by the member to the Corporation. Termination of membership in any manner shall not release a member or his estate from any debts due the Corporation.

## ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

**Section 1 – Property Interest of Members.** Upon dissolution, after:

- (a) all debts and liabilities of the Corporation shall have been paid; and
- (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Corporation shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten (10) years next preceding the date of the filing of the certificate of dissolution.

**Section 2 – Non-Liability for Debts of the Corporation.** The private property of the members shall be exempt from either execution or other liability for the debts of the Corporation and no member shall be liable or responsible for any debts or liabilities of the Corporation.

## ARTICLE III MEETINGS OF MEMBERS

**Section 1 – Annual Meeting.** The Annual Meeting of the members shall be held during the months of June, July, or August of each year at such place within a county served by the Corporation, as selected by the Board and which shall be designated in the notice of the meeting, for the purpose of receiving reports for the previous fiscal year and discussing such other matters 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 the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Corporation.

**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 three (3) directors, by the ~~Chairman~~ Chair, or by ten (10) per centum 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. Special meetings of the members may be held at any place within one (1) of the counties served by the Corporation as designated by the Board and shall be specified in the notice of the special meeting.

**Section 3 – Notice of Member Meetings.** Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If

mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Corporation, 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.** As long as the total number of members does not exceed five hundred (500), ten (10) per centum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed one thousand (1,000), one hundred fifty (150) 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 from time to time without further notice. The minutes of each meeting shall contain a list of members present in person.

**Section 5 – Business to be Voted Upon by Members and Voting Thereon.** The transaction of all business of the Corporation requiring a vote of the membership shall be transacted by a mail ballot, except as otherwise provided in these Bylaws. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote of the members. All questions shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by law, the Articles of Incorporation or these Bylaws. The Board shall designate eight (8) members, one from each district, who shall constitute a tellers committee responsible for counting the ballots received when submitting such a question. The members of the tellers committee shall be at least eighteen (18) years of age and shall not be existing Corporation employees, agents, officers, directors, known candidates or close relatives or members of the same household thereof; nor shall anyone having a conflict of interest with the question being raised serve as a teller.

The Corporation shall provide a self-addressed envelope postage prepaid for the purpose of returning the ballot. The ballot, when received by the Corporation, shall be placed in the box or boxes provided by the Corporation for holding director ballots. The box or boxes shall be locked and the key or keys delivered to the tellers committee at such time as the committee shall determine. The results shall be certified to the Board by the tellers committee.

**Section 6 – Vote on Questions Directed by Member Meetings.** By a majority vote of the members present at any regular or special meeting of the members conducted pursuant to these Bylaws, the Board may be directed to submit any question to the whole membership for a vote by mail ballot.

**Section 7 – 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, may be essentially as follows, except as otherwise determined by the members at such meeting:

- (a) Report on the number of members present in person in order to determine the existence of a quorum.
- (b) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (d) Presentation and consideration of reports of officers, directors and committees.

- (e) Tellers' report of election of directors and any other balloting.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

**Section 8 – Proxies.** At any meeting of the members or any adjournment thereof, any member may vote by proxy, but only if such proxy:

- (a) is registered with the Corporation at its principal office during office hours on or before the third business day next preceding the date of the meeting or any adjournment thereof, as the case may be;
- (b) is executed by the member in writing and designates the holder thereof, which holder shall be the member's spouse, an adult close relative (18 years or older) residing in the same household as the member or another member who is a natural person; and
- (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof: PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executes two (2) or more proxies for the same meeting or for any adjournment thereof, the most recently-dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at a meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. No person may vote as proxy for more than three (3) members at any meeting of the members. Notwithstanding the foregoing provisions of this section, whenever a member is absent from a meeting of the members but whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member could vote if present in person, unless such member has given a written proxy to some other person eligible to vote such proxy.

Notwithstanding the foregoing provisions of this section, no member shall be entitled to vote by proxy on any question submitted to the members at the members' meeting under Article VIII of these Bylaws.

#### **ARTICLE IV DIRECTORS**

**Section 1 – General Powers.** The business and affairs of the Corporation shall be managed by a Board of eight (8) directors which shall exercise all the powers of the Corporation except such

as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

**Section 2 – Election and Tenure of Office.** Each director shall serve for a term of four (4) years. At the time specified herein every two (2) years, four (4) directors shall be elected by mail ballot by and from the members to serve for a period of four (4) years or until successors shall have been elected and qualified, the present terms of the directors having been established so that four (4) terms expire every two (2) years. The results of such elections shall be reported at each Annual Meeting of the members.

**Section 3 – Qualifications.** No person shall be eligible to become or remain a director of the Corporation who:

- (a) is not a member in good standing and bona fide permanent resident of the district he represents in the certified territory of the Corporation for at least six (6) months prior to the deadline for filing a petition for candidacy; or
- (b) is in any way employed by or has a financial interest in or is a Board member of a competing enterprise selling electrical energy or supplies to the Corporation; or
- (c) is not at least eighteen (18) years of age upon the filing of a petition for candidacy; or
- (d) who is an employee of the Corporation, a former employee involuntarily terminated from employment with the Corporation or is a close relative of an employee of the Corporation or a sitting director of the Corporation. A close relative shall include the relationships by blood or marriage of husband, wife, father, mother, son, daughter, brother, or sister.

Notwithstanding any of the foregoing provisions of this section treating with close relative relationships, no incumbent director shall lose eligibility to remain a director or to be reelected as a director if he becomes a close relative of another incumbent director or of a Corporation employee because of a marriage to which he was not a party.

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

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

**Section 4 – Filing and Election of Directors.**

- (a) In order to assure broad geographical representation and, at the same time, equitable proportional representation, the territory served or to be served by the Corporation shall be divided into eight (8) districts, each of which shall contain as nearly as possible the same number of members. Each district shall be represented by one (1) Board member. The eight (8) districts shall be as follows:

District 1 – The area north of the Cumberland River in Livingston County.

District 2 – The area south of the Cumberland River in Livingston County.

District 3 – All the Corporation service area in Marshall County.

District 4 – All the Corporation service area in Graves County, Carlisle County and that portion of Ballard County lying south of Highway 286 as it exists in the year 1969.

District 5 – Ballard District—All of the Corporation service area lying north of Highway 286 as it exists in the year 1969.

District 6, 7, and 8 as follows:

Beginning at the point where Massac Creek flows into the Ohio River, the Massac Creek shall be the boundary line from the Ohio River extending in a southeastern direction to the head of the Massac Creek at the point where State Highway 999, extending south and parallel with US 45, makes a junction with the Krebs Stations Road. From this road junction, the boundary line takes the nearest southeastern line (approximately one [1] mile to the head of the Blizzard Bottom Ditch to a point one [1] mile west of the Oaks Road). The boundary line then shall extend due south to the Graves County line. US 62 and State Highway 286 shall be the boundary line from Massac Creek extending southwest to the Ballard County line.

District 6 - McCracken County Area 1 – That area within the boundaries of Massac Creek on the east, Highway 62 and 286 on the south and Ballard County line on the west and the Ohio River to the north.

District 7 - McCracken County Area 2 – That area within the boundaries of Massac Creek on the northeast and Highway 62 and 286 on the northwest, Ballard County line on the west, Graves County to the south, and on the east by the line one (1) mile west of the Oaks Road and the Blizzard Bottom Ditch to the Massac Creek.

District 8 - McCracken County Area 3 – That area bordered by the Marshall County line on the east, the Graves County line on the extreme south, the line one (1) mile west of the Oaks Road along with the Blizzard Bottom Ditch and Massac Creek to the west and on the north and northeast by the Ohio River Paducah area and the Tennessee River.

Not less than sixty (60) days before the deadline for filing a petition for candidacy, the Board shall review the composition of the several districts, and, if it finds the best interests of the Corporation and its members will be served thereby, shall reconstitute the districts forthwith.

- (b) Filing Petition for Election. Any member qualified under these Bylaws may file as a candidate for one of the directors elected by filing a petition as herein required. The petition shall set forth the name and address of the candidate and the area the candidate



seeks to serve. The petition shall be signed by at least fifty (50) members of the Corporation, which signatures shall appear below the following statement: "We, the following members of Jackson Purchase Energy Corporation, do endorse the candidacy of the foregoing named member for membership on the Board of Directors to serve the district above designated." The petition shall be filed in the month of April. It shall be filed at the office of the Corporation with the President/CEO or his designated representatives by the close of business on the last regular working day of the Corporation in the month of April. Prior to the month in which the petition is to be filed, the President/CEO shall designate at least three (3) employees authorized to receive such petition in his absence. His designation shall be posted in public view. The President/CEO or his authorized representative shall give the candidate a receipt noting the time and day of receiving the petition and the same information shall be endorsed on the petition and signed by both the candidate and President/CEO or his designated representative. The President/CEO or his authorized representative shall examine the signatures on the petition to determine whether all such signatures or more than fifty (50) of the same, are members of the Corporation, and, if they are, the candidate shall be notified of the status of his petition within seven (7) working days.

- (c) Ballot. After the time for filing petitions has expired, a ballot containing the name of each candidate shall be prepared by the Corporation. In the event more than one (1) candidate files for a vacancy, a drawing shall be held on the first working day in the month of May at the hour of 10 a.m. (prevailing time) in order to determine the order in which such candidates' names shall appear on the ballot. Each candidate, or his representative, may be present and participate in the drawing. The ballot shall be so prepared that it clearly indicates the districts from which directors are being elected with the list of candidates appearing under each such district. The ballot shall note that the member should mark his ballot for only one (1) candidate in each district. The ballot shall not be prepared in any way to make it possible to determine which member voted it. The ballot shall state that in order for it to be valid and counted, it must be deposited in the United States mail in sufficient time for it to be received by the Corporation prior to 10 a.m. (prevailing time) on the day preceding the day set for Annual Meeting. The ballots shall be numbered consecutively, beginning with the number one (1).
- (d) Election Tellers. Immediately upon expiration of the time provided for filing candidacy petitions, the Secretary to the Corporation shall notify each candidate in writing that he is entitled to name one (1) election teller and one (1) alternate election teller. The alternate shall serve in the absence of the teller. Each candidate shall name his teller and alternate by notifying the Secretary by return mail within ten (10) days after receipt of the notice. After each candidate has named his teller and alternate, the Board shall designate the time for the first meeting of tellers. The Board shall name as many election tellers as are necessary to insure that there is always a minimum of twelve (12). All election tellers shall be at least eighteen (18) years of age and shall not be existing Corporation employees, agents, officers, directors, known candidates or close relatives or members of the same household thereof. At the first meeting of the tellers, a chairman shall be selected. The Board shall issue an invitation to the Kentucky Farm Bureau to act as monitors and observe the election process.

- (e) Mailing of Ballots. A ballot shall be mailed to each member of the Corporation at least fourteen (14) days before the date set for the Annual Meeting. The mailing of ballots shall be the responsibility of and shall be accomplished under the supervision of the election tellers. A list of all members entitled to a ballot shall be prepared by the Corporation. The election tellers shall compare the addressed ballots with the list to insure that each member entitled to a ballot is mailed one, and they shall certify the same. The said list shall be available for inspection by any member. All members, as of the day on which ballots are mailed, shall be entitled to receive a ballot. The ballots shall be addressed to the mailing address to which the member's bill is mailed. The accuracy of the United States mail shall be presumed and no member whose name appears on the above list as having received a ballot shall then be given a second ballot.
- (f) Voting of Ballots and Returning Ballots. A self-addressed envelope bearing a postal permit for postage shall be sent to each member with the ballot. This return envelope shall be pre-addressed to the election tellers at a post office box in the United States Post Office at Paducah, Kentucky. A member shall return his ballot in this pre-addressed envelope so that it is deposited in the post office box secured by the election tellers. To be valid, all returned ballots shall be deposited in the United States mail. The inclusion of more than one (1) ballot in one envelope shall not disqualify any such ballots for that reason. The Corporation shall provide at the office of the Corporation a secure and locked box or boxes in which the ballots shall be placed. There shall be two (2) locks placed on each box or boxes. Prior to the time ballots are to be returned, the election tellers shall meet and designate two (2) of their number to pick up ballots at the United States Post Office and place them in the box or boxes provided for that purpose. Each of the two (2) tellers so designated shall be given all keys to one (1) of the two (2) locks on each box. Both tellers shall together call at the United States Post Office for the returned ballots. Together they shall directly take the ballots to the Corporation, each teller using his key to unlock one (1) of the two (2) locks on the box, place the ballots in the box and again lock the box. No ballot shall at any time be opened or tampered with. Any ballots returned to the Corporation under any circumstances shall be immediately placed in the custody of the tellers committee.
- (g) Counting Ballots. The ballots shall be counted on the day preceding the day set for the Annual Meeting. The election tellers shall meet at 9:00 a.m. (prevailing time) on that day for the purpose of counting the ballots. It shall be the responsibility of the Chairman to organize the counting procedure. The (2) tellers previously designated for the purpose shall immediately check at the United States Post Office to see if there are any ballots in the possession of the Post Office not yet delivered to the Corporation. When it has been determined that all ballots then in possession of the Post Office have been delivered to the tellers, the tellers shall proceed to count the ballots. No ballot will be picked up at the Post Office after 10 a.m. (prevailing time) on the day set for counting of ballots. The two (2) tellers holding the keys to the box or boxes shall open the same in the presence of all tellers.
- (h) Duties of Election Tellers. It shall be the duty of the election tellers to ensure that a ballot is mailed to each member entitled to a ballot, to receive the returned ballots in the envelopes unopened, open the same in the presence of each other and determine the number of votes received by each candidate. As the ballots are counted, the election teller shall determine the validity of each ballot. Any one (1) election teller may

challenge a ballot. A ballot may be disqualified by a majority of all election tellers. A tie vote of election tellers shall fail to disqualify a ballot.

**The following shall not be counted:**

- (1) A vote marked for more than one (1) candidate for any one (1) vacancy;
- (2) Ballots other than the official ballot; and
- (3) Ballots arriving late.

**The following may be counted:**

- (1) Ballots on which the mark is not in the place provided but does show the intention of the voter; and
- (2) Ballots on which there is an erasure or change of intention shown or possible tampering, but the tellers are still able to determine the true intention of the voter.
- (3) Certification of Results. The election tellers shall, on a form provided by the President/CEO, certify by their signatures the number of votes received by each candidate. The report shall be read to the members by the chairman of the tellers during the business session of the Annual Meeting on the next succeeding day.

**Section 5 – Removal of a Director by Members.** Any member may bring charges for cause against a director and may request the removal of such director by reason thereof by filing with the Secretary such charges in writing together with a petition signed by at least ten (10) per centum of the then-total membership of the Corporation, which petition calls for a special member meeting, the stated purpose of which shall be to present such charges to the members, and which specified the place, time and date thereof within not less than forty-five (45) days after the filing of such petition or request that the matter be presented to the members at the next Annual Meeting of the members if the same will be held no sooner than ninety (90) days after such petition is filed. Each page of the petition shall, in the forepart thereof, state the name and address of the member filing such charges, a verbatim statement of such charges and the name of the director against whom such charges are being made. Notice of such charges verbatim, the director against whom the charges have been made and of the member filing the charges shall be contained in or accompany the notice of the meeting to the members not less than ten (10) days prior to the member meeting. Such director shall be informed in writing of the charges at least twenty (20) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard, in person or by counsel, and present evidence in respect to the charges, and shall be heard last; and the person or persons bringing the charges against him shall have the same opportunity. If approved by a majority vote of the members present at any annual or special meeting, and provided there is some evidence in support of the charges against the director presented during the meeting, the question of such removal shall be submitted to the members within thirty (30) days following the meeting of the members by sending a ballot to every member setting forth the question of such removal so that it might be answered “yes” or “no,” and the ballots shall be returned within ten (10) days after they are mailed. The ballots shall be counted by tellers named by the Board as provided in Article III, Section 5. A director shall be removed by a majority vote of the members voting.

The chairman of the said special or regular meeting shall be a licensed attorney appointed by the attorney to the Board, and the Corporation shall compensate him for his services. A charge that a director has, in a lawful manner, opposed or resisted any effort to sell, transfer, exchange, convey or otherwise dispose of all or a substantial portion of the Corporation's properties and assets or to dissolve the Corporation shall not constitute a "charge for cause" on the basis of which a director may be removed from office under this section. If the question of removal is in the affirmative, the vacancy shall be filled in accordance with Article IV, Section 6 of these Bylaws.

**Section 6 – Vacancies.** Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, or vacancies caused by the death or resignation of directors, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining directors with a member who meets the qualifications required under these Bylaws for such director position, and the member so appointed shall serve the unexpired portion of the term of the member who has vacated his position on the Board.

**Section 7 – Compensation.** Directors shall not receive any salary for their services as such, except that the Board may, by resolution, authorize a fixed sum for each day or portion thereof spent on Corporation business, such as attendance at meetings, conferences and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Corporation business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No director shall receive compensation for serving the Corporation in any other capacity, nor shall any close relative of a director receive compensation for serving the Corporation, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the director or his close relative shall have been certified by the Board as an emergency measure. The members may, by resolution, fix a maximum sum which the directors may authorize for the payments of attendance fees and expense allowances. As per the 1998 Annual Meeting, the members have set the maximum sum for director fees as follows:

- |  |                        |
|--|------------------------|
| (a) <del>Chairman of Board</del> Chair | \$12,000/calendar year |
| (b) Directors seeking certification    | \$ 9,000/calendar year |
| (c) All other directors                | \$ 8,000/calendar year |

In addition, the Board will publish a listing of the amount of fees and expenses paid to each director for the previous calendar year prior to the Annual Meeting.

## ARTICLE V MEETING OF DIRECTORS

**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 in McCracken County, Kentucky, as the Board may provide by resolution. Such regular monthly meetings 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 ~~Chairman~~ Chair or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause

notice of such meeting to be given as hereinafter provided. The ~~Chairman~~ Chair, or the directors calling the meeting, shall fix the time and place (which shall be in McCracken County, Kentucky) for the holding of the meeting.

**Section 3 – Notice of Director Meetings.** Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each director not less than five (5) days previous thereto either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the ~~Chairman~~ Chair or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Corporation, with postage thereon prepaid.

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

## ARTICLE VI OFFICERS

**Section 1 – Number.** The officers of the Corporation shall be a ~~Chairman~~ Chair, Vice-Chairman 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 shall be elected by 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 conveniently may be. 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 any office shall be filled by the Board for the unexpired portion of the term.

**Section 3 – Removal of Officers and Agents by Directors.** Whenever the Board, for good cause and in its judgment to serve the best interests of the Corporation, determines that any officer or agent elected or appointed by the Board should be removed, the Board has the power to do so.

**Section 4 – ~~Chairman~~ Chair.** The ~~Chairman~~ Chair:

- (a) shall be the principal executive officer of the Corporation and, unless otherwise determined by the members or the Board, shall preside at all meetings of the members and the Board;
- (b) 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 Corporation, or shall be required by law to be otherwise signed or executed; and

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

**Section 5 – Vice-~~Chairman~~ Chair.** In the absence of the ~~Chairman~~ Chair, or in the event of his inability or refusal to act, the Vice-~~Chairman~~ Chair shall perform the duties of the ~~Chairman~~ Chair, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the ~~Chairman~~ Chair. The Vice-~~Chairman~~ Chair shall also perform such other duties from time to time as may be assigned to him by the Board.

**Section 6 – Secretary.** The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) the safekeeping of the corporate books and records and the seal of the Corporation and affixing the seal of the Corporation to all documents, the execution of which on behalf of the Corporation 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) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Corporation containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Corporation, a copy of the Bylaws and of all amendments thereto to any member upon request; and
- (f) in general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board.

**Section 7 – Treasurer.** The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Corporation;
- (b) the receipt of and the issuance of receipts for all monies due and payable to the Corporation and for the deposit of all such monies in the name of the Corporation in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and
- (c) in general, performance of all duties as from time to time may be assigned to him by the Board.

**Section 8 – President/CEO.** The Board may appoint a President/CEO who may be, but who shall not be required to be, a member of the Corporation. The President/CEO shall perform such duties and shall exercise such authority as the Board may from time to time vest in him.

**Section 9 – Bonds of Officers.** The Treasurer and any other officer or agent of the Corporation charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the Board shall determine. The Board, in its discretion, may

also require any other officer, agent or employee of the Corporation to be bonded in such amount and with such surety as it shall determine.

**Section 10 – Compensation.** The powers, duties and compensation of officers, agents and employees shall be fixed by the Board subject to the provisions of these Bylaws in Article IV, Section 7, with respect to compensation for directors and close relatives of directors.

**Section 11 – Reports.** The officers of the Corporation shall submit at each Annual Meeting of the members reports covering the business of the Corporation for the previous fiscal year. Such reports shall set forth the condition of the Corporation at the close of such fiscal year.

**Section 12 – Delegation of Secretary's and Treasurer's Responsibilities.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6 and 7, the Board by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's duties to one (1) or more agents, other officers or employees of the Corporation 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.

## ARTICLE VII NONPROFIT OPERATION

**Section 1 – Interest or Dividends on Capital Prohibited.** The Corporation shall, at all times, be operated on a Corporation nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Corporation on any capital furnished by its patrons.

**Section 2 – Patronage Capital in Connection with Furnishing Electric Energy.** In the furnishing of energy, the Corporation's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Corporation. In order to induce patronage and to assure that the Corporation will operate on a nonprofit basis, the Corporation is obligated to account on a patronage basis to all its patrons 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 Corporation are received with the understanding that they are furnished by the patrons, as capital. The Corporation 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 the Corporation 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. Each patron shall have the right, within a reasonable time after the close of the Corporation's fiscal year, to request a disclosure of the amount of capital so credited to his account. The Corporation shall respond to such a request within ten (10) working days from the date of the request or as promptly thereafter as possible.

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 a legal obligation to do so and the patron had then furnished the Corporation corresponding amounts for capital. All other

amounts received by the Corporation from its operations in excess of costs and expenses shall, insofar as permitted by law, be:

- (a) used to offset any losses incurred during the current or any prior fiscal year; and
- (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Corporation, after all outstanding indebtedness of the Corporation 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 Corporation will not be impaired thereby, the capital then credited to patrons' 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 the Corporation being first retired.

Capital credited to the account of each patron shall be assignable only on the books of the Corporation pursuant to written instructions from the assignor, and only to successors in interest or successors in occupancy, in all or a part of such patron's premises served by the Corporation unless the Board acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the Board, 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, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Corporation will not be impaired thereby.

The Corporation, before retiring any capital credited to any patron's account, shall deduct therefrom any delinquent amount owing by such patron to the Corporation, together with interest thereon at the legal rate of judgments in effect when such amount became overdue, compounded annually.

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

#### **ARTICLE VIII DISPOSITION OF PROPERTY**

I. Not inconsistently with the provisions of KRS 279.140 and subsection 2, the Corporation shall not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion



of its properties and assets unless such sale, mortgage, lease or other disposition or encumbrance is authorized by a majority of the then-total members of the Corporation, cast in person, at a duly held meeting of the members. No member shall be entitled to vote by proxy on any question submitted to the members under this Article. Notwithstanding anything herein contained, the Board, without authorization of the members thereof, shall have full power and authority to:

- (a) Sell or otherwise dispose of:
  - 1. Property which, in the judgment of the Board, neither is nor will be necessary or useful in maintaining the Corporation's system and facilities; provided, however, that all sales of such property shall not in any one (1) year exceed in value ten (10) per centum of the value of all of the property of the Corporation (value shall be defined as the total utility plant value);
  - 2. Services of all kinds, including electric energy;
  - 3. Personal property and merchandise acquired for resale; and
  - 4. Properties and assets sold in the ordinary course of business.
  
- (b) Authorize the execution and delivery of a mortgage or mortgages or a deed of trust upon, or the pledging or encumbering of, any or all of the properties, assets, rights, privileges, licenses, franchises and permits of the Corporation, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Corporation to the United States of America or any instrumentality or agency thereof or any other agency where mortgage arrangements can be accommodated and approved by the Rural Utilities Service (hereinafter "RUS"); provided further that the Board may upon the affirmative vote of a majority of members voting by mail ballot as set forth in Article III, Section 5, of these Bylaws, sell, lease or otherwise dispose of all or a substantial portion of its properties and assets to another Corporation or foreign corporation doing business in this state pursuant to the act under which this Corporation is incorporated.

II. Supplementary to the first sentence of the foregoing subsection (1) and any other applicable provisions of law or these Bylaws, no sale, mortgage, lease or other disposition of all or any substantial portion of the Corporation's properties and assets ("transactions") shall be authorized except in conformity with the following:

- (a) If the Board looks with favor upon any proposal for any such transaction, it shall first appoint three (3) persons, each of whom is independent of the Corporation and of the other two (2) and is expert in electric utility property evaluations, and commission them separately to study, appraise and evaluate such assets and properties, including their going concern value and the values associated with the rights of the members to participate in the ownership and control of the Corporation. Such appraisers shall be instructed to, and shall take into account, any other factors they may deem relevant in determining the present market value of such assets and properties. Within not more than sixty (60) days after their appointment and commission, each appraiser shall render his highest determination of such present value. The Board shall not recommend and submit any proposal it shall have received for such a transaction, or make any offer of such a transaction for a consideration that is less than the highest such determination

rendered by the appraisers; nor shall it, following the expiration of one (1) year thereafter, make such a recommendation or offer without, again, first complying with the foregoing appraisal requirements.

- (b) If, after receiving such appraisals, the Board resolves to pursue the matter further, it shall, within sixty (60) days after adoption of such resolution, transmit the appraisals, together with any underlying data and information that may have accompanied them, to every other electric membership corporation and electric utility corporately sited and operating in Kentucky and invite it to submit competing or alternative proposals, including proposals to merge or consolidate with the Corporation. Such appraisals shall also be accompanied by any proposal for such a transaction received by the Corporation; PROVIDED, only the most recent proposal from an entity that has made two (2) or more proposals need be so transmitted. Such other electric membership corporations shall be given at least sixty (60) days within which to submit competing or alternative proposals, and they shall be notified in such transmittal of the actual final date for such submissions.
- (c) If, after such date, the Board so resolves, it shall recommend and submit to the members: [1] a proposal for such a transaction, or [2] a proposal to merge or consolidate the Corporation with one (1) or more other electric membership corporations. The Board may recommend and submit two (2) or more such proposals in the alternative, in which case it shall specify its preference as to which shall be approved by the members -- that is, first choice, second choice, etc.—and the order in which such alternatives will be considered and acted upon at the meeting. The Board shall accompany its recommended proposal(s) with verbatim copies of all competing or alternative proposals it has received, together with all of the appraisals and any underlying data and information that may have accompanied such appraisals. The Board shall submit such recommendation and information to the members and shall at the same time call and give notice of a special meeting of the members thereon or, if it so determines, notify the members that the matter will be considered and acted upon at the ensuing annual member meeting, in either case, stating in detail each of any such proposals. The special or annual meeting shall be held not sooner than ninety (90) days after the giving of such notice thereof.
- (d) Ten (10) per centum of the then-total membership of the Corporation may, over their respective signatures and within not less than forty-five (45) days prior to the date of such member meeting, petition the Corporation to mail to all of the Corporation's members any statement of opposition to the Board's recommendation and/or of their own recommendation that a competing or alternative proposal, which may be or include a proposition to merge or consolidate the Corporation with one (1) or more other electric membership corporations, be submitted to and acted upon by the members at such meeting, in which event, the Board shall cause a printed copy of the petition, including the printing of the names of the member signatories thereof, together with a printed copy of the statement, to be transmitted to all of the Corporation's members via the United States mail not less than twenty-five (25) days prior to such member meeting, with the cost of such printing and mailing to be borne by the Corporation. When so mailed, such petition and statement shall constitute sufficient notice of any such competing or alternative proposal for the same to be considered and acted upon at such meeting. The meeting shall first consider and act upon the recommendation(s) of

the Board. If two (2) or more alternative such recommendations have been made by the Board, they shall be considered and acted upon in the order specified by the Board. If the members fail to approve any Board-recommended proposal, they shall then consider and act upon the competing, alternative proposal(s) which have, by petition, been submitted by the members in the order in which they were received, if two (2) or more such proposals have been submitted, or in the order of priority specified in a petition. The members may take such action on such proposal(s) as may be legally availing to them.

**III.** No offer of such a transaction, whether made to or by the Board, shall be valid or, if made and accepted, enforceable unless the total consideration to be paid or otherwise furnished therefor, to the extent that the same is in excess of the amounts necessary to discharge, or to provide for the discharge of, all of the Corporation's debts, obligations and liabilities, shall be distributed to or, if such be the case, allocated and assigned to the patrons or former patrons of the Corporation in the manner provided for in the Articles of Incorporation, Bylaws or applicable law.

#### **ARTICLE IX SEAL**

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

#### **ARTICLE X FINANCIAL TRANSACTIONS**

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

**Section 2 – Checks, Drafts, etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Corporation, shall be signed and countersigned by such officer or officers, agent or agents, employee or employees of the Corporation and in such manner as shall from time to time be determined by resolution of the Board.

**Section 3 – Deposits.** All funds received by the Corporation shall be deposited from time to time to the credit of the Corporation 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 RUS of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Corporation for electric energy becomes effective.

**Section 5 – Fiscal Year.** The fiscal year of the Corporation 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.

**Section 6 – Indemnification of Officers, Directors, Employees and Agents.** The Corporation 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 Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, association, partnership, joint venture, trust or other enterprise, against expenses (including all costs of defense), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal action or proceeding, had not 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 Corporation, and with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

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

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

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, association, 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 Corporation would have the power to indemnify such person against such liability under the provisions of these Bylaws.

## ARTICLE XI MISCELLANEOUS

**Section 1 – Membership in Other Organizations.** The Corporation shall not become a member of or purchase stock in any other organization without an affirmative vote of the members by mail ballot as set forth in Article III, Section 5 of these Bylaws upon such proposed membership or stock purchase; provided, however, that the Corporation may, upon the authorization of the Board, purchase stock in or become a member of any corporation or organization organized on a nonprofit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of RUS, of any other corporation for the purpose of acquiring electric facilities.

**Section 2 – Waiver of Notice.** Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director except in

case a member or director shall attend a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting has not been lawfully called or convened.

**Section 3 – 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 Corporation.

**Section 4 – Accounting System 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 Corporation 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 5 – Area Coverage.** The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Corporation service area who (a) desire such service, and (b) meet all reasonable requirements established by the Corporation as a condition of such service.

## ARTICLE XII AMENDMENTS

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of all of the directors at any regular or special meeting, provided a notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. In the event the Board finds a need for alteration, amendment or repealing of Articles II, III, IV, VII, VIII, XI or XII of the Bylaws, such proposed alteration, amendment or repeal shall first be submitted to the members by mail ballot for their approval or disapproval of the proposed action of the Board. Upon an approval vote of the membership of such proposed alteration, amendment or repeal, such change would take effect immediately. A disapproval vote by the membership would leave the Bylaws language unchanged.

## STATEMENT OF NONDISCRIMINATION

Jackson Purchase Energy Corporation has filed with the Federal Government a Compliance Assurance in which it assures the Rural Utilities Service that it will comply fully with all requirements of Title VI of the Civil Rights Act of 1964 and the Rules and Regulations of the Department of Agriculture issued thereunder, to the end that no person in the United States shall, on the grounds of race, color or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program and the operation of its facilities. Under this Assurance, this organization is committed not to discriminate against any person on the grounds of race, color or national origin in its policies and practices relating to applications for service or any other policies and practices relating to treatment of beneficiaries and participants, including rates, conditions and extension of service, use of any of its facilities, attendance at and participation in any meetings of beneficiaries and

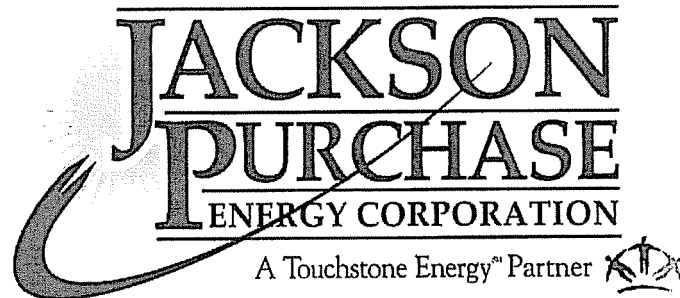
participants or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of this organization.

"Any person who believes himself, or any specific class of individuals, to be subjected by this organization to discrimination prohibited by Title VI of the Act and the Rules and Regulations issued thereunder may, by himself or a representative, file with the Secretary of Agriculture, Washington, D.C. 20250, or the Rural Utilities Service, Washington, D.C. 20250, or this organization, or all, a written complaint. Such complaint must be filed not later than one hundred eighty (180) days after the alleged discrimination, or by such later date to which the Secretary of Agriculture or the Rural Utilities Service extends the time for filing. Identity of complaints will be kept confidential except to the extent necessary to carry out the purposes of the Rules and Regulations."

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## 2004

with  
Changes Reflected



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*Revised May 6, 2004*

## BYLAWS (2004)

### ARTICLE I MEMBERSHIP

**Section 1 – Requirements for Membership.** Any person, firm, association, corporation, or body politic or subdivision thereof shall be eligible to become a member of and to receive electric service from Jackson Purchase Energy Corporation (hereinafter called the “Corporation”) at one or more premises owned or directly occupied or used by him or it, provided that he or it has first:

- (a) made appropriate written application for membership therein;
- (b) agreed to purchase from the Corporation electric energy as hereinafter specified;
- (c) agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Corporation and any rules and regulations adopted by the Board of Directors (hereinafter called the “Board”); and
- (d) paid ~~the membership fee hereinafter specified~~ any applicable fees as approved and adopted by the Board.

Provided, however, that all applications for membership shall be automatically accepted, unless the Board determines that the applicant is unable or unwilling to meet all related terms and conditions of service, or that the application should be rejected for good cause. No member may hold more than one (1) membership in the Corporation, and no membership in the Corporation shall be transferable except as provided in these Bylaws.

~~**Section 2 - Types of Membership and Certificates Therefor**~~ Records of Membership. Membership in the Corporation 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 certificate shall be signed by the President and by the Secretary of the Corporation and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefore upon such uniform terms and indemnity to the Corporation as the Board may prescribe. The Corporation shall maintain an appropriate record of the members of the Corporation and the capital credited to the account of each member as required in the Bylaws. Membership and capital credit records shall be available in accordance with the provisions of the Bylaws.

**Section 3 – Joint Membership.** A husband and wife may apply for a joint membership subject to their compliance with the requirements set forth in Sections 1 and 2 of this Article and may be accepted for such membership. The term “member” as used in these Bylaws shall be deemed to include a husband and wife holding a joint membership and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of the joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one (1) 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;
- (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, except as otherwise provided in Section 4(c) of this Article;
- (g) Either, but not both, may be elected or appointed as an officer or director, provided that the candidate meets the qualifications for such office.

**Section 4 – Conversion of Membership.**

- (a) A membership may be converted to a joint membership upon the request of the holder thereof and the agreement by such holder and his or her spouse to comply with Articles of Incorporation, Bylaws and rules and regulations adopted by the Board.
- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor provided, however, that the estate of the deceased shall not be released from any debts due the Corporation.
- (c) A joint membership of a husband and wife may be converted to a single membership upon written request of both holders of the joint membership, provided, however, that neither spouse shall be released from any debts due the Corporation. The continuing member shall agree to comply with the Articles of Incorporation, Bylaws and rules and regulations adopted by the Board.

**Section 5 – Membership Fee.** Membership is granted upon connection of service and payment of any applicable fees as approved and adopted by the Board.

**Section 6 – Purchase of Electric Energy.** Each member shall, as soon as electric energy shall be available, purchase from the Corporation all electric energy used on the premises specified in his application for membership and shall pay therefor at rates which shall from time to time be fixed by the Board. 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 Corporation such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by him to the Corporation as and when the same shall become due and payable. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be subject to appropriate regulations, as shall be fixed from time to time by the Corporation. A member shall make available to the Corporation a suitable site for the placement of the Corporation's physical facilities for the furnishing and metering of electric service and will be required to permit the access by the Corporation's authorized agents, etc.

**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, by the affirmative vote of not less than two-thirds ( $\frac{2}{3}$ ) of all the directors, expel any member who fails to

comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules and regulations adopted by the Board, but only if such member shall have been given written notice by the Corporation that such failure makes him liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by vote of the Board. The membership of a member who, for a period of six (6) months after service is available to him, has not purchased electric energy from the Corporation 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~~ his or its membership shall thereupon terminate, ~~and the membership certificate of such member shall be surrendered forthwith to the Corporation.~~ The Corporation shall refund the amount of the membership fee paid, if any, or the Corporation will apply the amount of the membership fee to any debts or obligations owed by the member to the Corporation. Termination of membership in any manner shall not release a member or his estate from any debts due the Corporation.

## ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

**Section 1 – Property Interest of Members.** Upon dissolution, after:

- (a) all debts and liabilities of the Corporation shall have been paid; and
- (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Corporation shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten (10) years next preceding the date of the filing of the certificate of dissolution.

**Section 2 – Non-Liability for Debts of the Corporation.** The private property of the members shall be exempt from either execution or other liability for the debts of the Corporation and no member shall be liable or responsible for any debts or liabilities of the Corporation.

## ARTICLE III MEETINGS OF MEMBERS

**Section 1 – Annual Meeting.** The Annual Meeting of the members shall be held during the months of June, July, or August of each year at such place within a county served by the Corporation, as selected by the Board and which shall be designated in the notice of the meeting, for the purpose of receiving reports for the previous fiscal year and discussing such other matters 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 the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Corporation.

**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 three (3) directors, by the Chairman, or by ten (10) per centum 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. Special meetings of the

members may be held at any place within one (1) of the counties served by the Corporation as designated by the Board and shall be specified in the notice of the special meeting.

**Section 3 – Notice of Member Meetings.** Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Corporation, 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.** As long as the total number of members does not exceed five hundred (500), ten (10) per centum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed one thousand (1,000), one hundred fifty (150) 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 from time to time without further notice. The minutes of each meeting shall contain a list of members present in person.

**Section 5 – Business to be Voted Upon by Members and Voting Thereon.** The transaction of all business of the Corporation requiring a vote of the membership shall be transacted by a mail ballot, except as otherwise provided in these Bylaws. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote of the members. All questions shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by law, the Articles of Incorporation or these Bylaws. The Board shall designate eight (8) members, one from each district, who shall constitute a tellers committee responsible for counting the ballots received when submitting such a question. The members of the tellers committee shall be at least eighteen (18) years of age and shall not be existing Corporation employees, agents, officers, directors, known candidates or close relatives or members of the same household thereof; nor shall anyone having a conflict of interest with the question being raised serve as a teller.

The Corporation shall provide a self-addressed envelope postage prepaid for the purpose of returning the ballot. The ballot, when received by the Corporation, shall be placed in the box or boxes provided by the Corporation for holding director ballots. The box or boxes shall be locked and the key or keys delivered to the tellers committee at such time as the committee shall determine. The results shall be certified to the Board by the tellers committee.

**Section 6 – Vote on Questions Directed by Member Meetings.** By a majority vote of the members present at any regular or special meeting of the members conducted pursuant to these Bylaws, the Board may be directed to submit any question to the whole membership for a vote by mail ballot.

**Section 7 – 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, may be essentially as follows, except as otherwise determined by the members at such meeting:

- (a) Report on the number of members present in person in order to determine the existence of a quorum.
- (b) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (d) Presentation and consideration of reports of officers, directors and committees.
- (e) Tellers' report of election of directors and any other balloting.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

**Section 8 – Proxies.** At any meeting of the members or any adjournment thereof, any member may vote by proxy, but only if such proxy:

- (a) is registered with the Corporation at its principal office during office hours on or before the third business day next preceding the date of the meeting or any adjournment thereof, as the case may be;
- (b) is executed by the member in writing and designates the holder thereof, which holder shall be the member's spouse, an adult close relative (18 years or older) residing in the same household as the member or another member who is a natural person; and
- (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof: PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executes two (2) or more proxies for the same meeting or for any adjournment thereof, the most recently-dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at a meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. No person may vote as proxy for more than three (3) members at any meeting of the members. Notwithstanding the foregoing provisions of this section, whenever a member is absent from a meeting of the members but whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member could vote if present in person, unless such member has given a written proxy to some other person eligible to vote such proxy.

Notwithstanding the foregoing provisions of this section, no member shall be entitled to vote by proxy on any question submitted to the members at the members' meeting under Article VIII of these Bylaws.

## **ARTICLE IV DIRECTORS**

**Section 1 – General Powers.** The business and affairs of the Corporation shall be managed by a Board of eight (8) directors which shall exercise all the powers of the Corporation except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

**Section 2 – Election and Tenure of Office.** Each director shall serve for a term of four (4) years. At the time specified herein every two (2) years, four (4) directors shall be elected by mail ballot by and from the members to serve for a period of four (4) years or until successors shall have been elected and qualified, the present terms of the directors having been established so that four (4) terms expire every two (2) years. The results of such elections shall be reported at each Annual Meeting of the members.

**Section 3 – Qualifications.** No person shall be eligible to become or remain a director of the Corporation who:

- (a) is not a member in good standing and bona fide permanent resident of the district he represents in the certified territory of the Corporation for at least six (6) months prior to the deadline for filing a petition for candidacy; or
- (b) is in any way employed by or has a financial interest in or is a Board member of a competing enterprise selling electrical energy or supplies to the Corporation; or
- (c) is not at least eighteen (18) years of age upon the filing of a petition for candidacy; or
- (d) who is an employee of the Corporation, a former employee involuntarily terminated from employment with the Corporation or is a close relative of an employee of the Corporation or a sitting director of the Corporation. A close relative shall include the relationships by blood or marriage of husband, wife, father, mother, son, daughter, brother, or sister.

Notwithstanding any of the foregoing provisions of this section treating with close relative relationships, no incumbent director shall lose eligibility to remain a director or to be reelected as a director if he becomes a close relative of another incumbent director or of a Corporation employee because of a marriage to which he was not a party.

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

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



**Section 4 – Filing and Election of Directors.**

- (a) In order to assure broad geographical representation and, at the same time, equitable proportional representation, the territory served or to be served by the Corporation shall be divided into eight (8) districts, each of which shall contain as nearly as possible the same number of members. Each district shall be represented by one (1) Board member. The eight (8) districts shall be as follows:

District 1 – The area north of the Cumberland River in Livingston County.

District 2 – The area south of the Cumberland River in Livingston County.

District 3 – All the Corporation service area in Marshall County.

District 4 – All the Corporation service area in Graves County, Carlisle County and that portion of Ballard County lying south of Highway 286 as it exists in the year 1969.

District 5 – Ballard District—All of the Corporation service area lying north of Highway 286 as it exists in the year 1969.

District 6, 7, and 8 as follows:

Beginning at the point where Massac Creek flows into the Ohio River, the Massac Creek shall be the boundary line from the Ohio River extending in a southeastern direction to the head of the Massac Creek at the point where State Highway 999, extending south and parallel with US 45, makes a junction with the Krebs Stations Road. From this road junction, the boundary line takes the nearest southeastern line (approximately one [1] mile to the head of the Blizzard Bottom Ditch to a point one [1] mile west of the Oaks Road). The boundary line then shall extend due south to the Graves County line. US 62 and State Highway 286 shall be the boundary line from Massac Creek extending southwest to the Ballard County line.

District 6 - McCracken County Area 1 – That area within the boundaries of Massac Creek on the east, Highway 62 and 286 on the south and Ballard County line on the west and the Ohio River to the north.

District 7 - McCracken County Area 2 – That area within the boundaries of Massac Creek on the northeast and Highway 62 and 286 on the northwest, Ballard County line on the west, Graves County to the south, and on the east by the line one (1) mile west of the Oaks Road and the Blizzard Bottom Ditch to the Massac Creek.

District 8 - McCracken County Area 3 – That area bordered by the Marshall County line on the east, the Graves County line on the extreme south, the line one (1) mile west of the Oaks Road along with the Blizzard Bottom Ditch and

Massac Creek to the west and on the north and northeast by the Ohio River Paducah area and the Tennessee River.

Not less than sixty (60) days before the deadline for filing a petition for candidacy, the Board shall review the composition of the several districts, and, if it finds the best interests of the Corporation and its members will be served thereby, shall reconstitute the districts forthwith.

- (b) Filing Petition for Election. Any member qualified under these Bylaws may file as a candidate for one of the directors elected by filing a petition as herein required. The petition shall set forth the name and address of the candidate and the area the candidate seeks to serve. The petition shall be signed by at least fifty (50) members of the Corporation, which signatures shall appear below the following statement: "We, the following members of Jackson Purchase Energy Corporation, do endorse the candidacy of the foregoing named member for membership on the Board of Directors to serve the district above designated." The petition shall be filed in the month of April. It shall be filed at the office of the Corporation with the President/CEO or his designated representatives by the close of business on the last regular working day of the Corporation in the month of April. Prior to the month in which the petition is to be filed, the President/CEO shall designate at least three (3) employees authorized to receive such petition in his absence. His designation shall be posted in public view. The President/CEO or his authorized representative shall give the candidate a receipt noting the time and day of receiving the petition and the same information shall be endorsed on the petition and signed by both the candidate and President/CEO or his designated representative. The President/CEO or his authorized representative shall examine the signatures on the petition to determine whether all such signatures or more than fifty (50) of the same, are members of the Corporation, and, if they are, the candidate shall be notified of the status of his petition within seven (7) working days.
- (c) Ballot. After the time for filing petitions has expired, a ballot containing the name of each candidate shall be prepared by the Corporation. In the event more than one (1) candidate files for a vacancy, a drawing shall be held on the first working day in the month of May at the hour of 10 a.m. (prevailing time) in order to determine the order in which such candidates' names shall appear on the ballot. Each candidate, or his representative, may be present and participate in the drawing. The ballot shall be so prepared that it clearly indicates the districts from which directors are being elected with the list of candidates appearing under each such district. The ballot shall note that the member should mark his ballot for only one (1) candidate in each district. The ballot shall not be prepared in any way to make it possible to determine which member voted it. The ballot shall state that in order for it to be valid and counted, it must be deposited in the United States mail in sufficient time for it to be received by the Corporation prior to 10 a.m. (prevailing time) on the day preceding the day set for Annual Meeting. The ballots shall be numbered consecutively, beginning with the number one (1).
- (d) Election Tellers. Immediately upon expiration of the time provided for filing candidacy petitions, the Secretary to the Corporation shall notify each candidate in writing that he is entitled to name one (1) election teller and one (1) alternate election teller. The alternate shall serve in the absence of the teller. Each candidate shall name his teller

and alternate by notifying the Secretary by return mail within ten (10) days after receipt of the notice. After each candidate has named his teller and alternate, the Board shall designate the time for the first meeting of tellers. The Board shall name as many election tellers as are necessary to insure that there is always a minimum of twelve (12). All election tellers shall be at least eighteen (18) years of age and shall not be existing Corporation employees, agents, officers, directors, known candidates or close relatives or members of the same household thereof. At the first meeting of the tellers, a chairman shall be selected. The Board shall issue an invitation to the Kentucky Farm Bureau to act as monitors and observe the election process.

- (e) Mailing of Ballots. A ballot shall be mailed to each member of the Corporation at least fourteen (14) days before the date set for the Annual Meeting. The mailing of ballots shall be the responsibility of and shall be accomplished under the supervision of the election tellers. A list of all members entitled to a ballot shall be prepared by the Corporation. The election tellers shall compare the addressed ballots with the list to insure that each member entitled to a ballot is mailed one, and they shall certify the same. The said list shall be available for inspection by any member. All members, as of the day on which ballots are mailed, shall be entitled to receive a ballot. The ballots shall be addressed to the mailing address to which the member's bill is mailed. The accuracy of the United States mail shall be presumed and no member whose name appears on the above list as having received a ballot shall then be given a second ballot.
- (f) Voting of Ballots and Returning Ballots. A self-addressed envelope bearing a postal permit for postage shall be sent to each member with the ballot. This return envelope shall be pre-addressed to the election tellers at a post office box in the United States Post Office at Paducah, Kentucky. A member shall return his ballot in this pre-addressed envelope so that it is deposited in the post office box secured by the election tellers. To be valid, all returned ballots shall be deposited in the United States mail. The inclusion of more than one (1) ballot in one envelope shall not disqualify any such ballots for that reason. The Corporation shall provide at the office of the Corporation a secure and locked box or boxes in which the ballots shall be placed. There shall be two (2) locks placed on each box or boxes. Prior to the time ballots are to be returned, the election tellers shall meet and designate two (2) of their number to pick up ballots at the United States Post Office and place them in the box or boxes provided for that purpose. Each of the two (2) tellers so designated shall be given all keys to one (1) of the two (2) locks on each box. Both tellers shall together call at the United States Post Office for the returned ballots. Together they shall directly take the ballots to the Corporation, each teller using his key to unlock one (1) of the two (2) locks on the box, place the ballots in the box and again lock the box. No ballot shall at any time be opened or tampered with. Any ballots returned to the Corporation under any circumstances shall be immediately placed in the custody of the tellers committee.
- (g) Counting Ballots. The ballots shall be counted on the day preceding the day set for the Annual Meeting. The election tellers shall meet at 9:00 a.m. (prevailing time) on that day for the purpose of counting the ballots. It shall be the responsibility of the Chairman to organize the counting procedure. The (2) tellers previously designated for the purpose shall immediately check at the United States Post Office to see if there are any ballots in the possession of the Post Office not yet delivered to the Corporation. When it has been determined that all ballots then in possession of the Post Office have

been delivered to the tellers, the tellers shall proceed to count the ballots. No ballot will be picked up at the Post Office after 10 a.m. (prevailing time) on the day set for counting of ballots. The two (2) tellers holding the keys to the box or boxes shall open the same in the presence of all tellers.

- (h) Duties of Election Tellers. It shall be the duty of the election tellers to ensure that a ballot is mailed to each member entitled to a ballot, to receive the returned ballots in the envelopes unopened, open the same in the presence of each other and determine the number of votes received by each candidate. As the ballots are counted, the election teller shall determine the validity of each ballot. Any one (1) election teller may challenge a ballot. A ballot may be disqualified by a majority of all election tellers. A tie vote of election tellers shall fail to disqualify a ballot.

**The following shall not be counted:**

- (1) A vote marked for more than one (1) candidate for any one (1) vacancy;
- (2) Ballots other than the official ballot; and
- (3) Ballots arriving late.

**The following may be counted:**

- (1) Ballots on which the mark is not in the place provided but does show the intention of the voter; and
- (2) Ballots on which there is an erasure or change of intention shown or possible tampering, but the tellers are still able to determine the true intention of the voter.
- (3) Certification of Results. The election tellers shall, on a form provided by the President/CEO, certify by their signatures the number of votes received by each candidate. The report shall be read to the members by the chairman of the tellers during the business session of the Annual Meeting on the next succeeding day.

**Section 5 – Removal of a Director by Members.** Any member may bring charges for cause against a director and may request the removal of such director by reason thereof by filing with the Secretary such charges in writing together with a petition signed by at least ten (10) per centum of the then-total membership of the Corporation, which petition calls for a special member meeting, the stated purpose of which shall be to present such charges to the members, and which specified the place, time and date thereof within not less than forty-five (45) days after the filing of such petition or request that the matter be presented to the members at the next Annual Meeting of the members if the same will be held no sooner than ninety (90) days after such petition is filed. Each page of the petition shall, in the forepart thereof, state the name and address of the member filing such charges, a verbatim statement of such charges and the name of the director against whom such charges are being made. Notice of such charges verbatim, the director against whom the charges have been made and of the member filing the charges shall be contained in or accompany the notice of the meeting to the members not less than ten (10) days prior to the member meeting. Such director shall be informed in writing of the charges at least twenty (20) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard, in person or by counsel, and present evidence in respect to the charges, and shall be heard last; and the person or persons bringing the

charges against him shall have the same opportunity. If approved by a majority vote of the members present at any annual or special meeting, and provided there is some evidence in support of the charges against the director presented during the meeting, the question of such removal shall be submitted to the members within thirty (30) days following the meeting of the members by sending a ballot to every member setting forth the question of such removal so that it might be answered "yes" or "no," and the ballots shall be returned within ten (10) days after they are mailed. The ballots shall be counted by tellers named by the Board as provided in Article III, Section 5. A director shall be removed by a majority vote of the members voting.

The chairman of the said special or regular meeting shall be a licensed attorney appointed by the attorney to the Board, and the Corporation shall compensate him for his services. A charge that a director has, in a lawful manner, opposed or resisted any effort to sell, transfer, exchange, convey or otherwise dispose of all or a substantial portion of the Corporation's properties and assets or to dissolve the Corporation shall not constitute a "charge for cause" on the basis of which a director may be removed from office under this section. If the question of removal is in the affirmative, the vacancy shall be filled in accordance with Article IV, Section 6 of these Bylaws.

**Section 6 – Vacancies.** Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, or vacancies caused by the death or resignation of directors, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining directors with a member who meets the qualifications required under these Bylaws for such director position, and the member so appointed shall serve the unexpired portion of the term of the member who has vacated his position on the Board.

**Section 7 – Compensation.** Directors shall not receive any salary for their services as such, except that the Board may, by resolution, authorize a fixed sum for each day or portion thereof spent on Corporation business, such as attendance at meetings, conferences and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Corporation business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No director shall receive compensation for serving the Corporation in any other capacity, nor shall any close relative of a director receive compensation for serving the Corporation, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the director or his close relative shall have been certified by the Board as an emergency measure. The members may, by resolution, fix a maximum sum which the directors may authorize for the payments of attendance fees and expense allowances. As per the 1998 Annual Meeting, the members have set the maximum sum for director fees as follows:

- |                                     |                        |
|-------------------------------------|------------------------|
| (a) Chairman of Board               | \$12,000/calendar year |
| (b) Directors seeking certification | \$ 9,000/calendar year |
| (c) All other directors             | \$ 8,000/calendar year |

In addition, the Board will publish a listing of the amount of fees and expenses paid to each director for the previous calendar year prior to the Annual Meeting.

## ARTICLE V MEETING OF DIRECTORS

**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 in McCracken County, Kentucky, as the Board may provide by resolution. Such regular monthly meetings 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 Chairman or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chairman, or the directors calling the meeting, shall fix the time and place (which shall be in McCracken County, Kentucky) for the holding of the meeting.

**Section 3 – Notice of Director Meetings.** Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each director not less than five (5) days previous thereto either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairman or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Corporation, with postage thereon prepaid.

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

## ARTICLE VI OFFICERS

**Section 1 – Number.** The officers of the Corporation shall be a Chairman, Vice-Chairman, 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 shall be elected by 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 conveniently may be. 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 any office shall be filled by the Board for the unexpired portion of the term.

**Section 3 – Removal of Officers and Agents by Directors.** Whenever the Board, for good cause and in its judgment to serve the best interests of the Corporation, determines that any officer or agent elected or appointed by the Board should be removed, the Board has the power to do so.

**Section 4 – Chairman.** The Chairman shall:

- (a) shall be the principal executive officer of the Corporation and, unless otherwise determined by the members or the Board, shall preside at all meetings of the members and the Board;
- (b) ~~sign, with the Secretary, certificates of membership, the issue of which 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 Corporation, or shall be required by law to be otherwise signed or executed; and
- (c) shall, in general, perform all duties incident to the office of Chairman and such other duties as may be prescribed by the Board from time to time.

**Section 5 – Vice-Chairman.** In the absence of the Chairman, or in the event of his inability or refusal to act, the Vice-Chairman shall perform the duties of the Chairman, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chairman. The Vice-Chairman shall also perform such other duties from time to time as may be assigned to him by the Board.

**Section 6 – Secretary.** The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) the safekeeping of the corporate books and records and the seal of the Corporation and affixing the seal of the Corporation ~~to all certificates of membership prior to the issue thereof, and~~ to all documents, the execution of which on behalf of the Corporation 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, with the Chairman, certificates of membership, the issue of which shall have been authorized by the Board or the members;~~
- (e) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Corporation containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Corporation, a copy of the Bylaws and of all amendments thereto to any member upon request; and
- (f) in general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board.

**Section 7 – Treasurer.** The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Corporation;

- (b) the receipt of and the issuance of receipts for all monies due and payable to the Corporation and for the deposit of all such monies in the name of the Corporation in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and
- (c) in general, performance of all duties as from time to time may be assigned to him by the Board.

**Section 8 – President/CEO.** The Board may appoint a President/CEO who may be, but who shall not be required to be, a member of the Corporation. The President/CEO shall perform such duties and shall exercise such authority as the Board may from time to time vest in him.

**Section 9 – Bonds of Officers.** The Treasurer and any other officer or agent of the Corporation charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the Board shall determine. The Board, in its discretion, may also require any other officer, agent or employee of the Corporation to be bonded in such amount and with such surety as it shall determine.

**Section 10 – Compensation.** The powers, duties and compensation of officers, agents and employees shall be fixed by the Board subject to the provisions of these Bylaws in Article IV, Section 7, with respect to compensation for directors and close relatives of directors.

**Section 11 – Reports.** The officers of the Corporation shall submit at each Annual Meeting of the members reports covering the business of the Corporation for the previous fiscal year. Such reports shall set forth the condition of the Corporation at the close of such fiscal year.

**Section 12 – Delegation of Secretary's and Treasurer's Responsibilities.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6 and 7, the Board by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's duties to one (1) or more agents, other officers or employees of the Corporation 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.

## ARTICLE VII NONPROFIT OPERATION

**Section 1 – Interest or Dividends on Capital Prohibited.** The Corporation shall, at all times, be operated on a Corporation nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Corporation on any capital furnished by its patrons.

**Section 2 – Patronage Capital in Connection with Furnishing Electric Energy.** In the furnishing of energy, the Corporation's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Corporation. In order to induce patronage and to assure that the Corporation will operate on a nonprofit basis, the Corporation is obligated to account on a patronage basis to all its patrons 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 Corporation are received with the understanding that



they are furnished by the patrons, as capital. The Corporation 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 the Corporation 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. Each patron shall have the right, within a reasonable time after the close of the Corporation's fiscal year, to request a disclosure of the amount of capital so credited to his account. The Corporation shall respond to such a request within ten (10) working days from the date of the request or as promptly thereafter as possible.

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 a legal obligation to do so and the patron had then furnished the Corporation corresponding amounts for capital. All other amounts received by the Corporation from its operations in excess of costs and expenses shall, insofar as permitted by law, be:

- (a) used to offset any losses incurred during the current or any prior fiscal year; and
- (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Corporation, after all outstanding indebtedness of the Corporation 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 Corporation will not be impaired thereby, the capital then credited to patrons' 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 the Corporation being first retired.

Capital credited to the account of each patron shall be assignable only on the books of the Corporation pursuant to written instructions from the assignor, and only to successors in interest or successors in occupancy, in all or a part of such patron's premises served by the Corporation unless the Board acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the Board, 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, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Corporation will not be impaired thereby.

The Corporation, before retiring any capital credited to any patron's account, shall deduct therefrom any delinquent amount owing by such patron to the Corporation, together with interest thereon at the legal rate of judgments in effect when such amount became overdue, compounded annually.

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

## **ARTICLE VIII DISPOSITION OF PROPERTY**

I. Not inconsistently with the provisions of KRS 279.140 and subsection 2, the Corporation shall not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its properties and assets unless such sale, mortgage, lease or other disposition or encumbrance is authorized by a majority of the then-total members of the Corporation, cast in person, at a duly held meeting of the members. No member shall be entitled to vote by proxy on any question submitted to the members under this Article. Notwithstanding anything herein contained, the Board, without authorization of the members thereof, shall have full power and authority to:

(a) Sell or otherwise dispose of:

1. Property which, in the judgment of the Board, neither is nor will be necessary or useful in maintaining the Corporation's system and facilities; provided, however, that all sales of such property shall not in any one (1) year exceed in value ten (10) per centum of the value of all of the property of the Corporation (value shall be defined as the total utility plant value);
2. Services of all kinds, including electric energy;
3. Personal property and merchandise acquired for resale; and
4. Properties and assets sold in the ordinary course of business.

(b) Authorize the execution and delivery of a mortgage or mortgages or a deed of trust upon, or the pledging or encumbering of, any or all of the properties, assets, rights, privileges, licenses, franchises and permits of the Corporation, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Corporation to the United States of America or any instrumentality or agency thereof or any other agency where mortgage arrangements can be accommodated and approved by the Rural Utilities Service (hereinafter "RUS"); provided further that the Board may upon the affirmative vote of a majority of members voting by mail ballot as set forth in Article III, Section 5, of these Bylaws, sell, lease or otherwise dispose of all or a substantial portion of its properties and assets to another Corporation or foreign corporation doing business in this state pursuant to the act under which this Corporation is incorporated.

II. Supplementary to the first sentence of the foregoing subsection (1) and any other applicable provisions of law or these Bylaws, no sale, mortgage, lease or other disposition of all or any substantial portion of the Corporation's properties and assets ("transactions") shall be authorized except in conformity with the following:

- (a) If the Board looks with favor upon any proposal for any such transaction, it shall first appoint three (3) persons, each of whom is independent of the Corporation and of the other two (2) and is expert in electric utility property evaluations, and commission them separately to study, appraise and evaluate such assets and properties, including their going concern value and the values associated with the rights of the members to participate in the ownership and control of the Corporation. Such appraisers shall be instructed to, and shall take into account, any other factors they may deem relevant in determining the present market value of such assets and properties. Within not more than sixty (60) days after their appointment and commission, each appraiser shall render his highest determination of such present value. The Board shall not recommend and submit any proposal it shall have received for such a transaction, or make any offer of such a transaction for a consideration that is less than the highest such determination rendered by the appraisers; nor shall it, following the expiration of one (1) year thereafter, make such a recommendation or offer without, again, first complying with the foregoing appraisal requirements.
- (b) If, after receiving such appraisals, the Board resolves to pursue the matter further, it shall, within sixty (60) days after adoption of such resolution, transmit the appraisals, together with any underlying data and information that may have accompanied them, to every other electric membership corporation and electric utility corporately sited and operating in Kentucky and invite it to submit competing or alternative proposals, including proposals to merge or consolidate with the Corporation. Such appraisals shall also be accompanied by any proposal for such a transaction received by the Corporation; PROVIDED, only the most recent proposal from an entity that has made two (2) or more proposals need be so transmitted. Such other electric membership corporations shall be given at least sixty (60) days within which to submit competing or alternative proposals, and they shall be notified in such transmittal of the actual final date for such submissions.
- (c) If, after such date, the Board so resolves, it shall recommend and submit to the members: [1] a proposal for such a transaction, or [2] a proposal to merge or consolidate the Corporation with one (1) or more other electric membership corporations. The Board may recommend and submit two (2) or more such proposals in the alternative, in which case it shall specify its preference as to which shall be approved by the members -- that is, first choice, second choice, etc.—and the order in which such alternatives will be considered and acted upon at the meeting. The Board shall accompany its recommended proposal(s) with verbatim copies of all competing or alternative proposals it has received, together with all of the appraisals and any underlying data and information that may have accompanied such appraisals. The Board shall submit such recommendation and information to the members and shall at the same time call and give notice of a special meeting of the members thereon or, if it so determines, notify the members that the matter will be considered and acted upon at the ensuing annual member meeting, in either case, stating in detail each of any such proposals. The special or annual meeting shall be held not sooner than ninety (90) days after the giving of such notice thereof.
- (d) Ten (10) per centum of the then-total membership of the Corporation may, over their respective signatures and within not less than forty-five (45) days prior to the date of

such member meeting, petition the Corporation to mail to all of the Corporation's members any statement of opposition to the Board's recommendation and/or of their own recommendation that a competing or alternative proposal, which may be or include a proposition to merge or consolidate the Corporation with one (1) or more other electric membership corporations, be submitted to and acted upon by the members at such meeting, in which event, the Board shall cause a printed copy of the petition, including the printing of the names of the member signatories thereof, together with a printed copy of the statement, to be transmitted to all of the Corporation's members via the United States mail not less than twenty-five (25) days prior to such member meeting, with the cost of such printing and mailing to be borne by the Corporation. When so mailed, such petition and statement shall constitute sufficient notice of any such competing or alternative proposal for the same to be considered and acted upon at such meeting. The meeting shall first consider and act upon the recommendation(s) of the Board. If two (2) or more alternative such recommendations have been made by the Board, they shall be considered and acted upon in the order specified by the Board. If the members fail to approve any Board-recommended proposal, they shall then consider and act upon the competing, alternative proposal(s) which have, by petition, been submitted by the members in the order in which they were received, if two (2) or more such proposals have been submitted, or in the order of priority specified in a petition. The members may take such action on such proposal(s) as may be legally availing to them.

III. No offer of such a transaction, whether made to or by the Board, shall be valid or, if made and accepted, enforceable unless the total consideration to be paid or otherwise furnished therefor, to the extent that the same is in excess of the amounts necessary to discharge, or to provide for the discharge of, all of the Corporation's debts, obligations and liabilities, shall be distributed to or, if such be the case, allocated and assigned to the patrons or former patrons of the Corporation in the manner provided for in the Articles of Incorporation, Bylaws or applicable law.

#### ARTICLE IX SEAL

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

#### ARTICLE X FINANCIAL TRANSACTIONS

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

**Section 2 – Checks, Drafts, etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Corporation, shall be signed and countersigned by such officer or officers, agent or agents, employee or employees of the Corporation and in such manner as shall from time to time be determined by resolution of the Board.

**Section 3 – Deposits.** All funds received by the Corporation shall be deposited from time to time to the credit of the Corporation 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 RUS of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Corporation for electric energy becomes effective.

**Section 5 – Fiscal Year.** The fiscal year of the Corporation 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.

**Section 6 – Indemnification of Officers, Directors, Employees and Agents.** The Corporation 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 Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, association, partnership, joint venture, trust or other enterprise, against expenses (including all costs of defense), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal action or proceeding, had not 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 Corporation, and with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

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

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

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, association, 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 Corporation would have the power to indemnify such person against such liability under the provisions of these Bylaws.

## ARTICLE XI MISCELLANEOUS

**Section 1 – Membership in Other Organizations.** The Corporation shall not become a member of or purchase stock in any other organization without an affirmative vote of the members by mail ballot as set forth in Article III, Section 5 of these Bylaws upon such proposed membership or stock purchase; provided, however, that the Corporation may, upon the authorization of the Board, purchase stock in or become a member of any corporation or organization organized on a nonprofit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of RUS, of any other corporation for the purpose of acquiring electric facilities.

**Section 2 – Waiver of Notice.** Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director except in case a member or director shall attend a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting has not been lawfully called or convened.

**Section 3 – 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 Corporation.

**Section 4 – Accounting System 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 Corporation 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 5 – Area Coverage.** The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Corporation service area who (a) desire such service, and (b) meet all reasonable requirements established by the Corporation as a condition of such service.

## ARTICLE XII AMENDMENTS

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of all of the directors at any regular or special meeting, provided a notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. In the event the Board finds a need for alteration, amendment or repealing of Articles II, III, IV, VII, VIII, XI or XII of the Bylaws, such proposed alteration, amendment or repeal shall first be submitted to the members by mail ballot for their approval or disapproval of the proposed action of the Board. Upon an approval vote of the membership of such proposed alteration, amendment

or repeal, such change would take effect immediately. A disapproval vote by the membership would leave the Bylaws language unchanged.

### **STATEMENT OF NONDISCRIMINATION**

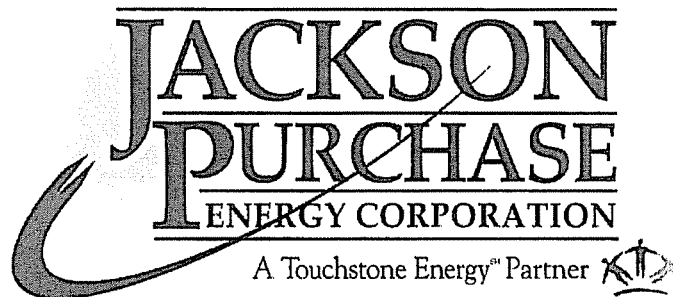
Jackson Purchase Energy Corporation has filed with the Federal Government a Compliance Assurance in which it assures the Rural Utilities Service that it will comply fully with all requirements of Title VI of the Civil Rights Act of 1964 and the Rules and Regulations of the Department of Agriculture issued thereunder, to the end that no person in the United States shall, on the grounds of race, color or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program and the operation of its facilities. Under this Assurance, this organization is committed not to discriminate against any person on the grounds of race, color or national origin in its policies and practices relating to applications for service or any other policies and practices relating to treatment of beneficiaries and participants, including rates, conditions and extension of service, use of any of its facilities, attendance at and participation in any meetings of beneficiaries and participants or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of this organization.

"Any person who believes himself, or any specific class of individuals, to be subjected by this organization to discrimination prohibited by Title VI of the Act and the Rules and Regulations issued thereunder may, by himself or a representative, file with the Secretary of Agriculture, Washington, D.C. 20250, or the Rural Utilities Service, Washington, D.C. 20250, or this organization, or all, a written complaint. Such complaint must be filed not later than one hundred eighty (180) days after the alleged discrimination, or by such later date to which the Secretary of Agriculture or the Rural Utilities Service extends the time for filing. Identity of complaints will be kept confidential except to the extent necessary to carry out the purposes of the Rules and Regulations."

# BYLAWS

# 2001

with  
Changes Reflected





(2001)  
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*Revised July, 2001*

## BYLAWS (2001)

### ARTICLE I MEMBERSHIP

**Section 1 - Requirements for Membership.** Any person, firm, association, corporation, or body politic or subdivision thereof shall be eligible to become a member of and to receive electric service from Jackson Purchase Energy Corporation (hereinafter called the "Corporation") at one or more premises owned or directly occupied or used by him or it, provided that he or it has first:

- (a) made a written application for membership therein;
- (b) agreed to purchase from the Corporation electric energy as hereinafter specified;
- (c) agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Corporation and any rules and regulations adopted by the Board of Directors (hereinafter called the "Board"); and
- (d) paid the membership fee hereinafter specified.

Provided, however, that all applications for membership shall be automatically accepted, unless the Board determines that the applicant is unable or unwilling to meet all related terms and conditions of service, or that the application should be rejected for good cause. No member may hold more than one (1) membership in the Corporation, and no membership in the Corporation shall be transferable except as provided in these Bylaws.

**Section 2 - Types of Membership and Certificates Therefor.** Membership in the Corporation 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 certificate shall be signed by the ~~President~~ Chairman and by the Secretary of the Corporation and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefore upon such uniform terms and indemnity to the Corporation as the Board may prescribe.

**Section 3 - Joint Membership.** A husband and wife may apply for a joint membership and subject to their compliance with the requirements set forth in Sections 1 and 2 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include a husband and wife holding a joint membership and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of the joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (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, except as otherwise provided in Section 4(c) of this Article;
- (g) Either, but not both, may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

#### **Section 4 - Conversion of Membership**

- (a) A membership may be converted to a joint membership upon the request of the holder thereof and the agreement by such holder and his or her spouse to comply with Articles of Incorporation, Bylaws and rules and regulations adopted by the Board.
- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor; provided, however, that the estate of the deceased shall not be released from any debts due the Corporation.
- (c) A joint membership of a husband and wife may be converted to a single membership upon written request of both holders of the joint membership, provided, however, that neither spouse shall be released from any debts due the Cooperative. The continuing member shall agree to comply with the Articles of Incorporation, Bylaws, and Regulations adopted by the Board of Directors.

**Section 5 - Membership Fee.** ~~The Membership fee shall be fifteen (\$15.00) dollars upon the payment of which a member shall be eligible for one or more service connections~~ is granted upon connection of service.

**Section 6 - Purchase of Electric Energy.** Each member shall, as soon as electric energy shall be available, purchase from the Corporation all electric energy used on the premises specified in his application for membership, and shall pay therefor at rates which shall from time to time be fixed by the Board. 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 Corporation such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by him to the Corporation as and when the same shall become due and payable. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be subject to appropriate regulations, as shall be fixed from time to time by the Corporation. A member shall make available to the Corporation a suitable site for the placement of the Corporation's physical facilities for the furnishing and metering of electric service and will be required to permit the access by the Corporation's authorized agents, etc.

#### **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, by the affirmative vote of not less than two-thirds of all the directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules and regulations adopted by the Board, but only if such member shall have been given written notice by the Corporation that such failure makes him liable to expulsion and

such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board. The membership of a member who for a period of six (6) months after service is available to him, has not purchased electric energy from the Corporation, 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 membership certificate of such member shall be surrendered forthwith to the Corporation. Termination of membership in any manner shall not release a member or his estate from any debts due the Corporation.
- ~~(c) In case of withdrawal or termination of membership in any manner, the shall repay to the member the amount of the membership fee paid by him, provided, however, that the Corporation shall deduct from the amount of the membership fee the amount of any debt or obligation owed by the member to the Corporation. The may, at the request of a member, retain the membership fee on an inactive electric service to be used in the future to activate an electric service in the same member's name.~~

## ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

### Section 1 - Property Interest of Members.

Upon dissolution, after

- (a) all debts and liabilities of the Corporation shall have been paid; and
- (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Corporation shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten (10) years next preceding the date of the filing of the certificate of dissolution.

**Section 2 - Non-liability for Debts of the Corporation.** The private property of the members shall be exempt from either execution or other liability for the debts of the Corporation and no member shall be liable or responsible for any debts or liabilities of the Corporation.

## ARTICLE III MEETINGS OF MEMBERS

**Section 1 - Annual Meeting.** The Annual Meeting of the members shall be held during the months of June, July or August of each year at such place within a county served by the Corporation, as selected by the Board and which shall be designated in the notice of the meeting, for the purpose of receiving reports for the previous fiscal year and discussing such other matters 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 the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Corporation.

**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 three (3) directors, by the ~~President~~ Chairman, or by ten (10) per centum 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. Special meetings of the members may be held at any place within one (1) of the counties served by the Corporation as designated by the Board and shall be specified in the notice of the special meeting.

**Section 3 - Notice of Members' Meetings.** Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual 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 (10) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Corporation, 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.** As long as the total number of members does not exceed five hundred (500), ten (10) per centum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed one thousand (1,000), one hundred fifty (150) 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 from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

**Section 5 - Business to be Voted Upon by Members and Voting Thereon.** The transaction of all business of the Corporation requiring a vote of the membership shall be transacted by a mail ballot, except as otherwise provided in these Bylaws. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote of the members. All questions shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by law, the Articles of Incorporation or these Bylaws. On all questions other than the election of directors, the Board shall designate ~~nine (9)~~ eight (8), one from each district, members who shall constitute a tellers committee responsible for counting the ballots received when submitting such a question. The members of the tellers committee shall be at least eighteen (18) years of age and shall not be existing Cooperative employees, agents, officers, directors, known candidates or close relatives or members of the same household thereof, nor shall anyone having a conflict of interest with the question being raised serve as a teller.

The Corporation shall provide a self-addressed envelope postage prepaid for the purpose of returning the ballot. The ballot, when received by the Corporation, shall be placed in the box or boxes provided by the Corporation for holding director ballots. The box or boxes shall be locked and the key or keys delivered to the tellers committee at such time as the committee shall determine. The result shall be certified to the Board by the tellers committee.

**Section 6 - Vote on Questions Directed by Member Meetings.** By a majority vote of the members present at any regular or special meeting of the members conducted pursuant to these

Bylaws, the Board may be directed to submit any question to the whole membership for a vote by mail ballot.

**Section 7 - 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, may be essentially as follows, except as otherwise determined by the members at such meeting.

- (a) Report on the number of members present in person in order to determine the existence of a quorum.
- (b) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (d) Presentation and consideration of reports of officers, directors and committees.
- (e) Tellers' report of election of directors and any other balloting.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

**Section 8 - Proxies.** At any meeting of the members or any adjournment thereof, any member may vote by proxy, but only if such proxy: (a) is registered with the Corporation at its principal office during office hours on or before the third business day next preceding the date of the meeting or any adjournment thereof, as the case may be, (b) is executed by the member in writing and designates the holder thereof, which holder shall be the member's spouse, an adult close relative (18 years or older) residing in the same household as the member or another member who is a natural person, and (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof: PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executes two (2) or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at a meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. No person may vote as proxy for more than three (3) members at any meeting of the members. Notwithstanding the foregoing provisions of this section, whenever a member is absent from a meeting of the members but whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member could vote if present in person, unless such member has given a written proxy to some other person eligible to vote such proxy.



Notwithstanding the foregoing provisions of this section, no member shall be entitled to vote by proxy on any question submitted to the members at a members' meeting under Article VIII of these Bylaws.

## ARTICLE IV DIRECTORS

**Section 1 - General Powers.** The business and affairs of the Corporation shall be managed by a Board of ~~nine (9)~~ eight (8) directors which shall exercise all the powers of the Corporation except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

**Section 2 - Election and Tenure of Office.** Each director shall be elected to serve ~~for~~ a term of ~~three (3)~~ four (4) years. At the time specified herein, ~~each year, three (3)~~ four (4) directors shall be elected every even-numbered year beginning in 2002 by mail ballot by and from the members to serve for a period of ~~three (3)~~ four (4) years or until successors shall have been elected and qualified, the present terms of the directors having been established so that ~~three (3)~~ four (4) ~~expire each~~ every two years. For the purpose of election, the directors shall be classified into two groups, which are based on the districts outlined in Section 4 of this Article. Group A shall include the directors in Districts 3,5,7,and 8. With the exception of District 5, directors in Group A shall be elected in 2001 and serve a term of three (3) years. All directors in Group A shall be elected in 2004 to serve a term of four (4) years. Directors in Group A shall be elected every four (4) years thereafter. Group B shall include directors in Districts 1,2,4,and 6. Directors in Group B shall be elected in 2002 to serve a term of four (4) years. Directors in Group B shall be elected every four (4) years thereafter. The results of such elections shall be reported at each Annual Meeting of members.

**Section 3 - Qualifications.** No person shall be eligible to become or remain a director of the Corporation who:

- (a) is not a member in good standing and bona fide permanent resident of the district he represents in the certified territory of the Corporation for at least six months prior to the deadline for filing a petition for candidacy; or
- (b) is in any way employed by or has a financial interest in or is a Board member of a competing enterprise selling electrical energy or supplies to the Corporation.
- (c) is not at least eighteen (18) years of age upon the filing of a petition for candidacy; or
- (d) who is an employee of the Cooperative, a former employee involuntarily terminated from employment with the Cooperative or is a close relative of an employee of the Cooperative or a sitting director of the Cooperative. A close relative shall include the relationships by blood or marriage of husband, wife, father, mother, son, daughter, brother or sister.

Notwithstanding any of the foregoing provisions of this section treating with close relative relationships, no incumbent director shall lose eligibility to remain a director or to be reelected as a director if he becomes a close relative of another incumbent director or of a Corporation employee because of a marriage to which he was not a party.

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

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

**Section 4 - Filing and Election of Directors.**

- (a) In order to assure broad geographical representation and, at the same time, equitable proportional representation, the territory served or to be served by the Corporation shall be divided into ~~nine (9)~~ eight (8) districts, each of which shall contain as nearly as possible the same number of members. Each district shall be represented by one (1) Board member. The ~~nine (9)~~ eight (8) districts shall be as follows:

District 1 - The area north of the Cumberland River in Livingston County

District 2 - The area south of the Cumberland River in Livingston County.

District 3 - All the Corporation service area in Marshall County.

District 4 - All of the Corporation service area in Graves County, Carlisle County and that portion of Ballard County lying south of Highway 286 as it exists in the year 1969.

~~District 5 - Carlisle Ballard District All of the Corporation service area in Carlisle County.~~

District 6 5 - Ballard District - All of the Corporation service area lying north of Highway 286 as it exists in the year 1969.

Districts 6, 7, and 8, ~~and 9~~ as follows -Beginning at the point where Massac Creek flows into the Ohio River, the Massac Creek shall be the boundary line from the Ohio River extending in a southeastern direction to the head of the Massac Creek at the point where State Highway 999, extending south and parallel with U.S. 45, makes a junction with the Krebs Station Road. From this road junction, the boundary line takes the nearest southeastern line [approximately one (1) mile to the head of the Blizzard Bottom Ditch to a point one (1) mile west of the Oaks Road]. The boundary line then shall extend due south to the Graves County line. U.S. 62 and State Highway 286 shall be the boundary line from Massac Creek extending southwest to the Ballard County line.

- District 7 6 - McCracken County Area 1 - Would be that area within the boundaries of Massac Creek on the east, Highway 62 and 286 on the south and Ballard County line on the west and the Ohio River to the north.
- District 8 7 - McCracken County Area 2 - Would be that area within the boundaries of Massac Creek on the northeast and Highway 62 and 286 on the northwest, Ballard County line on the west, Graves County to the south and on the east by the line one (1) mile west of the Oaks Road and the Blizzard Bottom Ditch to the Massac Creek.
- District 9 8 - McCracken County Area 3 - Would be that area bordered by the Marshall County line on the east, the Graves County line on the extreme south, the line one (1) mile west of the Oaks Road along with the Blizzard Bottom Ditch and Massac Creek to the west and on the north and northeast by the Ohio River Paducah area and the Tennessee River.

Not less than sixty (60) days before the deadline for filing a petition for candidacy, the Board shall review the composition of the several districts, and if it finds the best interests of the Corporation and its members will be served thereby, shall reconstitute the districts forthwith.

- (b) **Filing Petition for Election.** Any member qualified under these Bylaws may file as a candidate for one of the ~~three (3)~~ directors to be elected ~~each year~~ by filing a petition as herein required. The petition shall set forth the name and address of the candidate and the area the candidate seeks to serve. The petition shall be signed by at least fifty (50) members of the Corporation, which signatures shall appear below the following statement: "We, the following members of Jackson Purchase Energy Corporation, do endorse the candidacy of the foregoing named member for membership on the Board of Directors to serve the district above designated." The petition shall be filed in the month of April. It shall be filed at the office of the Corporation with the ~~General Manager~~ President/CEO or his designated representatives by the close of business on the last regular working day of the Corporation in the month of April. Prior to the month in which the petition is to be filed, the ~~General Manager~~ President/CEO shall designate at least three (3) employees authorized to receive such petition in his absence. His designation shall be posted in public view. The ~~General Manager~~ President/CEO or his authorized representative shall give the candidate a receipt noting the time and day of receiving the petition and the same information shall be endorsed on the petition and signed by both the candidate and the ~~General Manager~~ President/CEO or his designated representative. The ~~General Manager~~ President/CEO or his authorized representative shall examine the signatures on the petition to determine whether all such signatures or more than fifty (50) of the same are voting members of the Corporation, and if they are, he or she shall so note in the receipt given to the candidate. After receipt of the petition, the candidate shall be notified of the status of his petition within seven (7) working days.
- (c) **Ballot.** After the time for filing petitions has expired, a ballot containing the name of each candidate shall be prepared by the Corporation. In the event more than one (1)

- candidate files for a vacancy, a drawing shall be held on the first working day in the month of May at the hour of 10:00 a.m. (prevailing time) in order to determine the order in which such candidates names shall appear on the ballot. Each candidate, or his representative, may be present and participate in the drawing. The ballot shall be so prepared that it clearly indicates the ~~three~~(3) districts from which directors are being elected with the list of candidates appearing under each such district. The ballot shall note that the member should mark his ballot for only one (1) candidate in each district. The ballot shall not be prepared in any way to make it possible to determine which member voted it. The ballot shall state that in order for it to be valid and counted, it must be deposited in the United States mail in sufficient time for it to be received by the Corporation prior to 10:00 a.m. (prevailing time) on the day preceding the day set for the Annual Meeting. The ballots shall be numbered consecutively beginning with the number one (1).
- (d) **Election Tellers.** Immediately upon expiration of the time provided for filing candidacy petitions, the Secretary to the Corporation shall notify each candidate in writing that he is entitled to name one (1) election teller and one (1) alternate election teller. The alternate shall serve in the absence of the teller. Each candidate shall name his teller and alternate by notifying the Secretary by return mail within ten (10) days after receipt of the notice. After each candidate has named his teller and alternate, the Board shall designate the time for the first meeting of tellers. The Board shall name as many election tellers as are necessary to insure that there is always a minimum of twelve (12). All election tellers shall be at least eighteen (18) years of age and shall not be existing Cooperative employees, agents, officers, director, known candidates or close relatives or members of the same household thereof. At the first meeting of the tellers, a chairman shall be selected. The Board shall issue an invitation to the Kentucky Farm Bureau to act as monitors and observe the election process.
- (e) **Mailing of Ballots.** A ballot shall be mailed to each member of the Corporation holding a voting membership at least fourteen (14) days before the date set for the Annual Meeting. The mailing of ballots shall be the responsibility of and shall be accomplished under the supervision of the election tellers. A list of all members entitled to a ballot shall be prepared by the Corporation. The election tellers shall compare the addressed ballots with the list to insure that each member entitled to a ballot is mailed one, and they shall certify the same. The said list shall be available for inspection by any member. All members holding a voting membership as of the day on which ballots are mailed, shall be entitled to receive a ballot. The ballots shall be addressed to the mailing address to which the member's bill is mailed. The accuracy of the United States mail shall be presumed and no member whose name appears on the above list as having received a ballot shall then be given a second ballot.
- (f) **Voting of Ballots and Returning Ballots.** A self-addressed envelope bearing a postal permit for postage shall be sent each member with the ballot. This return envelope shall be pre-addressed to the election tellers at a post office box in the United States Post Office at Paducah, Kentucky. A member shall return his ballot in this pre-addressed envelope so that it is deposited in the post office box secured by

the election tellers. To be valid all returned ballots shall be deposited in the United States mail. The inclusion of more than one (1) ballot in one envelope shall not disqualify any such ballots for that reason. The Corporation shall provide at the office of the Corporation a secure and locked box or boxes in which the ballots shall be placed. There shall be two (2) locks placed on each box or boxes. Prior to the time ballots are to be returned, the election tellers shall meet and designate two (2) of their number to pick up ballots at the United States Post Office and place them in the box or boxes provided for that purpose. Each of the two (2) tellers so designated shall be given all keys to one (1) of the two (2) locks on each box. Both tellers shall together call at the United States Post Office for the returned ballots. Together they shall directly take the ballots to the Corporation, each teller using his key to unlock one (1) of the two (2) locks on the box, place the ballots in the box and again lock the box. No ballot shall at any time be opened or tampered with. Any ballots returned to the Corporation under any circumstances shall be immediately placed in the custody of the tellers committee.

- (g) **Counting Ballots.** The ballots shall be counted on the day preceding the day set for the Annual Meeting. The election tellers shall meet at 9:00 a.m. (prevailing time) on that day for the purpose of counting the ballots. It shall be the responsibility of the Chairman to organize the counting procedure. The two (2) tellers previously designated for the purpose shall immediately check at the United States Post Office to see if there are any ballots in the possession of the Post Office not yet delivered to the Corporation. When it has been determined that all ballots then in possession of the Post Office have been delivered to the tellers, the tellers shall proceed to count the ballots. No ballot will be picked up at the Post Office after 10:00 a.m. (prevailing time) on the day set for counting of ballots. The two (2) tellers holding the keys to the box or boxes shall open the same in the presence of all tellers.
- (h) **Duties of Election Tellers.** It shall be the duty of the election tellers to see that a ballot is mailed to each member entitled to a ballot, to receive the returned ballots in the envelopes unopened, open the same in the presence of each other and determine the number of votes received by each candidate. As the ballots are counted, the election teller shall determine the validity of each ballot. Any one (1) election teller may challenge a ballot. A ballot may be disqualified by a majority of all election tellers. A tie vote of election tellers shall fail to disqualify a ballot.

**The following shall not be counted:**

- (1) A vote marked for more than one candidate for any one vacancy;
- (2) Ballots other than the official ballot; and
- (3) Ballots arriving late.

**The following may be counted:**

- (1) Ballots on which the mark is not in the place provided but does show the intention of the voter; and

(2) Ballots on which there is an erasure or change of intention shown or possible tampering, but the tellers are still able to determine the true intention of the voter.

- (i) **Certification of Results.** The election tellers shall, on a form provided by the ~~General Manager~~ President/CEO, certify by their signatures the number of votes received by each candidate. The report shall be read to the members by the chairman of the tellers during the business session of the Annual Meeting on the next succeeding day.

**Section 5 - Removal of a Director by Members.** Any member may bring charges for cause against a director and may request removal of such director by reason thereof by filing with the Secretary such charges in writing together with a petition signed by at least ten (10) per centum of the then-total membership of the Cooperative, which petition calls for a special member meeting, the stated purpose of which shall be to present such charges to the members, and which specifies the place, time and date thereof within not less than forty-five (45) days after the filing of such petition or request that the matter be presented to the members at the next Annual Meeting of the members if the same will be held no sooner than ninety (90) days after such petition is filed. Each page of the petition shall, in the forepart thereof, state the name and address of the member filing such charges, a verbatim statement of such charges and the name of the director against whom such charges are being made. Notice of such charges verbatim, the director against whom the charges have been made and of the member filing the charges shall be contained in or accompany the notice of the meeting to the members not less than ten (10) days prior to the member meeting.

Such director shall be informed in writing of the charges at least twenty (20) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard, in person or by counsel, and present evidence in respect to the charges, and shall be heard last; and the person or persons bringing the charges against him shall have the same opportunity. If approved by a majority vote of the members present at any annual or special meeting, the question of such removal shall be submitted to the members within thirty (30) days following the meeting of the members by sending a ballot to every member setting forth the question of such removal so that it might be answered "yes" or "no", and the ballots shall be returned within ten (10) days after they are mailed. The ballots shall be counted by tellers named by the Board as provided in Article III, Section 5. A director shall be removed by a majority vote of the members voting.

The chairman of the said special or regular meeting shall be a licensed attorney appointed by the attorney to the Board, and the Corporation shall compensate him for his services. A charge that a director has, in a lawful manner, opposed or resisted any effort to sell, transfer, exchange, convey or otherwise dispose of all or a substantial portion of the Corporation's properties and assets or to dissolve the Corporation shall not constitute a "charge for cause" on the basis of which a director may be removed from office under this section. If the question of removal is in the affirmative, the vacancy shall be filed in accordance with Section 6, Article IV of these Bylaws.

**Section 6 - Vacancies.** Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, or vacancies caused by the death or resignation of directors, a vacancy occurring in the Board shall be filled by the affirmative

vote of a majority of the remaining directors with a member who meets the qualifications required under these Bylaws for such director position, and the member so appointed shall serve the unexpired portion of the term of the member who has vacated his position on the Board.

**Section 7 - Compensation.** Directors shall not receive any salary for their services as such, except that the Board may, by resolution, authorize a fixed sum for each day or portion thereof spent on Corporation business, such as attendance at meetings, conferences and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Corporation business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No director shall receive compensation for serving the Corporation in any other capacity, nor shall any close relative of a director receive compensation for serving the Corporation, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the director or his close relative shall have been certified by the Board as an emergency measure. The members may, by resolution, fix a maximum sum which the directors may authorize for the payments of attendance fees and expense allowances. As per the 1998 Annual Meeting, the members have set the maximum sum for director fees as follows:

- |                                     |                        |
|-------------------------------------|------------------------|
| (a) Chairman of Board               | \$12,000/calendar year |
| (b) Directors seeking certification | \$ 9,000/calendar year |
| (c) All other directors             | \$ 8,000/calendar year |

In addition, the Board will publish a listing of the amount of fees and expenses paid to each director for the previous calendar year prior to the Annual Meeting.

## ARTICLE V MEETING OF DIRECTORS

**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 in McCracken County, Kentucky, as the Board may provide by resolution. Such regular monthly meetings 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 ~~President~~ Chairman or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The ~~President~~ Chairman, or the directors calling the meeting, shall fix the time and place (which shall be in McCracken County, Kentucky) for the holding of the meeting.

**Section 3 - Notice of Director Meetings.** Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each director not less than five (5) days previous thereto either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the ~~President~~ Chairman or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Corporation, with postage thereon prepaid.

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

## ARTICLE VI OFFICERS

**Section 1 - Number.** The officers of the Corporation shall be a ~~President~~ Chairman, Vice-~~President~~ Chairman, 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 shall be elected by 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 conveniently may be. 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 any office shall be filled by the Board for the unexpired portion of the term.

**Section 3 - Removal of Officers and Agents by Directors.** Whenever the Board, for good cause and in its judgment to serve the best interests of the Corporation, determines that any officer or agent elected or appointed by the Board should be removed, the Board has the power to do so.

**Section 4 – ~~President~~ Chairman.** The ~~President~~ Chairman shall:

- (a) be the principal executive officer of the Corporation and, unless otherwise determined by the members or the Board, shall preside at all meetings of the members and the Board;
- (b) sign, with the Secretary, certificates of membership, the issue of which 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 Corporation, or shall be required by law to be otherwise signed or executed; and
- (c) in general, perform all duties incident to the office of ~~President~~ Chairman and such other duties as may be prescribed by the Board from time to time.

**Section 5 - Vice-~~President~~ Chairman.** In the absence of the ~~President~~ Chairman, or in the event of his inability or refusal to act, the Vice-~~President~~ Chairman shall perform the duties of the ~~President~~ Chairman, and when so acting, shall have all the powers of, and be subject to all the



restrictions upon, the ~~President~~ Chairman. The ~~Vice-President~~ Chairman shall also perform such other duties from time to time as may be assigned to him by the Board.

**Section 6 - Secretary.** The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) the safekeeping of the corporate books and records and the seal of the Corporation and affixing the seal of the Corporation to all certificates of membership prior to the issue thereof, and to all documents, the execution of which on behalf of the Corporation 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, with the ~~President~~ Chairman, 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 Corporation containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Corporation, a copy of the Bylaws and of all 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 from time to time may be assigned to him by the Board.

**Section 7 - Treasurer.** The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Corporation;
- (b) the receipt of and the issuance of receipts for all monies due and payable to the Corporation and for the deposit of all such monies in the name of the Corporation in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and
- (c) in general, performance of all duties as from time to time may be assigned to him by the Board.

**Section 8 – ~~Manager~~ President/CEO.** The Board may appoint a ~~Manager~~ President/CEO who may be, but who shall not be required to be, a member of the Corporation. The ~~Manager~~ President/CEO shall perform such duties and shall exercise such authority as the Board may from time to time vest in him.

**Section 9 - Bonds of Officers.** The Treasurer and any other officer or agent of the Corporation charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the Board shall determine. The Board, in its discretion, may also require any other officer, agent or employee of the Corporation to be bonded in such amount and with such surety as it shall determine.

**Section 10 - Compensation.** The powers, duties and compensation of officers, agents and employees shall be fixed by the Board subject to the provisions of these Bylaws with respect to compensation for directors and close relatives of directors.

**Section 11 - Reports.** The officers of the Corporation shall submit at each Annual Meeting of the members reports covering the business of the Corporation for the previous fiscal year. Such reports shall set forth the condition of the Corporation at the close of such fiscal year.

**Section 12 - Delegation of Secretary's and Treasurer's Responsibilities.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6 and 7, the Board by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one (1) or more agents, other officers or employees of the Corporation 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.

## ARTICLE VII NON-PROFIT OPERATION

**Section 1 - Interest or Dividends on Capital Prohibited.** The Corporation shall, at all times, be operated on a Corporation nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Corporation on any capital furnished by its patrons.

**Section 2 - Patronage Capital in Connection with Furnishing Electric Energy.** In the furnishing of energy, the Corporation's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Corporation. In order to induce patronage and to assure that the Corporation will operate on a nonprofit basis, the Corporation is obligated to account on a patronage basis to all its patrons 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 Corporation are received with the understanding that they are furnished by the patrons, as capital. The Corporation 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 the Corporation 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. Each patron shall have the right, within a reasonable time after the close of the fiscal year, to request a disclosure of the amount of capital so credited to his account. The Corporation shall respond to such a request within ten (10) working days from the date of the request or as promptly thereafter as possible.

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 a legal obligation to do so and the patron had then furnished the Corporation corresponding amounts for capital. All other amounts received by the Corporation from its operations in excess of costs and expenses shall, insofar as permitted by law, be:

- (a) used to offset any losses incurred during the current or any prior fiscal year; and

- (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Corporation, after all outstanding indebtedness of the Corporation 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 Corporation will not be impaired thereby, the capital then credited to patrons' 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 the Corporation being first retired.

Capital credited to the account of each patron shall be assignable only on the books of the Corporation pursuant to written instructions from the assignor, and only to successors in interest or successors in occupancy, in all or a part of such patron's premises served by the Corporation unless the Board acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the Board, 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, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Corporation will not be impaired thereby.

The Corporation, before retiring any capital credited to any patron's account, shall deduct therefrom any delinquent amount owing by such patron to the Corporation, together with interest thereon at the legal rate of judgments in effect when such amount became overdue, compounded annually.

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

#### **ARTICLE VIII DISPOSITION OF PROPERTY**

- (1) Not inconsistently with the provisions of KRS 279.140 and subsection (2), the Corporation shall not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its properties and assets unless such sale, mortgage, lease or other disposition or encumbrance is authorized by a majority of the then-total members of the Corporation, cast in person, at a duly

held meeting of the members. No member shall be entitled to vote by proxy on any question submitted to the members under this Article. Notwithstanding anything herein contained, the Board, without authorization of the members thereof, shall have full power and authority to:

- (a) Sell or otherwise dispose of:
  - 1. Property which, in the judgment of the Board, neither is nor will be necessary or useful in maintaining the Corporation's system and facilities; provided, however, that all sales of such property shall not in any one (1) year exceed in value ten (10) per centum of the value of all of the property of the Corporation (value shall be defined as the total utility plant value);
  - 2. Services of all kinds, including electric energy;
  - 3. Personal property acquired for resale; and
  - 4. Properties and assets sold in the ordinary course of business.
  
- (b) Authorize the execution and delivery of a mortgage or mortgages or a deed of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Corporation, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Corporation to the United States of America or any instrumentality or agency thereof or any other agency where mortgage arrangements can be accommodated and approved by the Rural Utilities Service (hereinafter "RUS"); provided further that the Board may upon the affirmative vote of a majority of members voting by mail ballot as set forth in Article III, Section 5, of these Bylaws, sell, lease or otherwise dispose of all or a substantial portion of its properties and assets to another Corporation or foreign corporation doing business in this State pursuant to the act under which this Corporation is incorporated.

(2) Supplementary to the first sentence of the foregoing subsection (1) and any other applicable provisions of law or these Bylaws, no sale, mortgage, lease or other disposition of all or any substantial portion of the Corporation's properties and assets ("transactions") shall be authorized except in conformity with the following:

- (a) If the Board looks with favor upon any proposal for any such transaction, it shall first appoint three (3) persons, each of whom is independent of the Corporation and of the other two (2) and is expert in electric utility property evaluations, and commission them separately to study, appraise and evaluate such assets and properties, including their going concern value and the values associated with the rights of the members to participate in the ownership and control of the Corporation. Such appraisers shall be instructed to, and shall take into account, any other factors they may deem relevant in determining the present market value of such assets and properties. Within not more than sixty (60) days after their appointment and commission, each appraiser shall render his highest determination of such present value. The Board shall not recommend and submit any proposal it shall have received for such a transaction, or make any offer of such a transaction for a consideration that is less than the highest such determination rendered by the appraisers; nor shall it, following the expiration of

- one (1) year thereafter, make such a recommendation or offer without, again, first complying with the foregoing appraisal requirements.
- (b) If, after receiving such appraisals, the Board resolves to pursue the matter further, it shall, within sixty (60) days after adoption of such resolution, transmit the appraisals, together with any underlying data and information that may have accompanied them, to every other electric membership corporation and electric utility corporately sited and operating in Kentucky and invite it to submit competing or alternative proposals, including proposals to merge or consolidate with the Corporation. Such appraisals shall also be accompanied by any proposal for such a transaction received by the Corporation; PROVIDED, only the most recent proposal from an entity that has made two (2) or more proposals need be so transmitted. Such other electric membership corporations shall be given at least sixty (60) days within which to submit competing or alternative proposals, and they shall be notified in such transmittal of the actual final date for such submissions.
- (c) If, after such date, the Board so resolves, it shall recommend and submit to the members: [1] a proposal for such a transaction, or [2] a proposal to merge or consolidate the Corporation with one (1) or more other electric membership corporations. The Board may recommend and submit two (2) or more such proposals in the alternative, in which case it shall specify its preference as to which shall be approved by the members -- that is, first choice, second choice, etc. -- and the order in which such alternatives will be considered and acted upon at the meeting. The Board shall accompany its recommended proposal(s) with verbatim copies of all competing or alternative proposals it has received, together with all of the appraisals and any underlying data and information that may have accompanied such appraisals. The Board shall submit such recommendation and information to the members and shall at the same time call and give notice of a special meeting of the members thereon or, if it so determines, notify the members that the matter will be considered and acted upon at the ensuing annual member meeting, in either case, stating in detail each of any such proposals. The special or annual meeting shall be held not sooner than ninety (90) days after the giving of such notice thereof.
- (d) Ten (10) per centum of the then-total membership of the Corporation may, over their respective signatures and within not less than forty-five (45) days prior to the date of such member meeting, petition the Corporation to mail to all of the Corporation's members any statement of opposition to the Board's recommendation and/or of their own recommendation that a competing or alternative proposal, which may be or include a proposition to merge or consolidate the Corporation with one (1) or more other electric membership corporations, be submitted to and acted upon by the members at such meeting, in which event, the Board shall cause a printed copy of the petition, including the printing of the names of the member signatories thereof, together with a printed copy of the statement, to be transmitted to all of the Corporation's members via the United States mail not less than twenty-five (25) days prior to such member meeting, with the cost of such printing and mailing to be borne by the Corporation. When so mailed, such petition and statement shall constitute sufficient notice of any such competing or alternative proposal for the same to be considered and acted upon at such meeting. The meeting shall first consider and act

upon the recommend-ation(s) of the Board. If two (2) or more alternative such recommendations have been made by the Board, they shall be considered and acted upon in the order specified by the Board. If the members fail to approve any Board-recommended proposal, they shall then consider and act upon the competing, alternative proposal(s) which have, by petition, been submitted by the members in the order in which they were received, if two (2) or more such proposals have been submitted, or in the order of priority specified in a petition. The members may take such action on such proposal(s) as may be legally availing to them.

(3) No offer of such a transaction, whether made to or by the Board, shall be valid or, if made and accepted, enforceable unless the total consideration to be paid or otherwise furnished therefor, to the extent that the same is in excess of the amounts necessary to discharge, or to provide for the discharge of, all of the Corporation's debts, obligations and liabilities, shall be distributed to or, if such be the case, allocated and assigned to the patrons or former patrons of the Corporation in the manner provided for in the Articles of Incorporation, Bylaws or applicable law.

#### ARTICLE IX SEAL

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

#### ARTICLE X FINANCIAL TRANSACTIONS

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

**Section 2 - Checks, Drafts, etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Corporation, shall be signed and countersigned by such officer or officers, agent or agents, employee or employees of the Corporation and in such manner as shall from time to time be determined by resolution of the Board.

**Section 3 - Deposits.** All funds received by the Corporation shall be deposited from time to time to the credit of the Corporation 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~~ RUS of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Corporation for electric energy becomes effective.

**Section 5 - Fiscal Year.** The fiscal year of the Corporation 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.

**Section 6 - Indemnification of Officers, Directors, Employees and Agents.** The Corporation 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 Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, association, partnership, joint venture, trust or other enterprise, against expenses (including all costs of defense), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal action or proceeding, had not 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 Corporation, and with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

To the extent that a director, officer, employee or agent of the Corporation 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 Corporation) of any claim, issue or matter therein, such person shall be indemnified against expenses (including all costs of defense) actually and reasonably incurred by such person in connection therewith.

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

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, association, 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 Corporation would have the power to indemnify such person against such liability under the provisions of this Bylaw.

## ARTICLE XI MISCELLANEOUS

**Section 1 - Membership in Other Organizations.** The Corporation shall not become a member of or purchase stock in any other organization without an affirmative vote of the members by mail ballot as set forth in Article III, Section 5 of these Bylaws upon such proposed membership or stock purchase; provided, however, that the Corporation may, upon the authorization of the Board, purchase stock in or become a member of any corporation or organization organized on a nonprofit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of RUS, of any other corporation for the purpose of acquiring electric facilities.

**Section 2 - Waiver of Notice.** Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director except in case a member or director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

**Section 3 - 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 Corporation.

**Section 4 - Accounting System 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 Corporation 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 5 - Area Coverage.** The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Corporation service area who (a) desire such service, and (b) meet all reasonable requirements established by the Corporation as a condition of such service.

## ARTICLE XII AMENDMENTS

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds ( $\frac{2}{3}$ ) of all of the directors at any regular or special meeting, provided a notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. In the event the Board finds a need for alteration, amendment or repealing of Articles II, III, IV, VII, VIII, XI or XII of the Bylaws, such proposed alteration, amendment or repeal shall first be submitted to the members by mail ballot for their approval or disapproval of the proposed action of the Board. Upon receipt of the vote of the membership with respect to such proposal and notwithstanding the result of the same, the Board, at any regular or special meeting, may then by an affirmative vote of not less than two-thirds ( $\frac{2}{3}$ ) of the directors thereof adopt the said proposed alteration, amendment or repeal provided the notice of such meeting shall have contained the proposed alteration, amendment, or repeal.



## STATEMENT OF NONDISCRIMINATION

Jackson Purchase Electric Corporation has filed with the Federal Government a Compliance Assurance in which it assures the Rural Utilities Service that it will comply fully with all requirements of Title VI of the Civil Rights Act of 1964 and the Rules and Regulations of the Department of Agriculture issued thereunder, to the end that no person in the United States shall, on the grounds of race, color or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program and the operation of its facilities. Under this Assurance, this organization is committed not to discriminate against any person on the grounds of race, color or national origin in its policies and practices relating to applications for service or any other policies and practices relating to treatment of beneficiaries and participants, including rates, conditions and extension of service, use of any of its facilities, attendance at and participation in any meetings of beneficiaries and participants or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of this organization.

"Any person who believes himself, or any specific class of individuals, to be subjected by this organization to discrimination prohibited by Title VI of the Act and the Rules and Regulations issued thereunder may, by himself or a representative, file with the Secretary of Agriculture, Washington, D.C. 20250, or the Rural Utilities Service, Washington, D.C. 20250, or this organization, or all, a written complaint. Such complaint must be filed not later than one hundred eighty (180) days after the alleged discrimination, or by such later date to which the Secretary of Agriculture or the Rural Utilities Service extends the time for filing. Identity of complaints will be kept confidential except to the extent necessary to carry out the purposes of the Rules and Regulations."

# BYLAWS

## 1998

with  
Changes Reflected

JACKSON  
PURCHASE  
ENERGY CORPORATION

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*Amended July 30, 1998*

## BYLAWS (1998)

### ARTICLE I MEMBERSHIP

**Section 1 - Requirements for Membership.** Any person, firm, association, corporation, or body politic or subdivision thereof shall be eligible to become a member of and to receive electric service from Jackson Purchase ~~Electric Cooperative~~ Energy Corporation (hereinafter called the "~~Cooperative~~ Corporation") at one or more premises owned or directly occupied or used by him or it, provided that he or it has first:

- (a) made a written application for membership therein;
- (b) agreed to purchase from the ~~Cooperative~~ Corporation electric energy as hereinafter specified;
- (c) agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the ~~Cooperative~~ Corporation and any rules and regulations adopted by the Board of Directors (hereinafter called the "Board"); and
- (d) paid the membership fee hereinafter specified.

Provided, however, that all applications for membership shall be automatically accepted, unless the Board determines that the applicant is unable or unwilling to meet all related terms and conditions of service, or that the application should be rejected for good cause. No member may hold more than one (1) membership in the ~~Cooperative~~ Corporation, and no membership in the ~~Cooperative~~ Corporation shall be transferable except as provided in these Bylaws.

**Section 2 - Types of Membership and Certificates Therefor.** Membership in the ~~Cooperative~~ Corporation 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 certificate shall be signed by the President and by the Secretary of the ~~Cooperative~~ Corporation and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefore upon such uniform terms and indemnity to the ~~Cooperative~~ Corporation as the Board may prescribe.

**Section 3 - Joint Membership.** A husband and wife may apply for a joint membership and subject to their compliance with the requirements set forth in Sections 1 and 2 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include a husband and wife holding a joint membership and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of the joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;

- (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, except as otherwise provided in Section 4(c) of this Article;
- (g) Either, but not both, may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

#### **Section 4 - Conversion of Membership**

- (a) A membership may be converted to a joint membership upon the request of the holder thereof and the agreement by such holder and his or her spouse to comply with Articles of Incorporation, Bylaws and rules and regulations adopted by the Board.
- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor; provided, however, that the estate of the deceased shall not be released from any debts due the ~~Cooperative~~ Corporation.
- (c) A joint membership of a husband and wife may be converted to a single membership upon written request of both holders of the joint membership, provided, however, that neither spouse shall be released from any debts due the ~~Cooperative~~ Corporation. The continuing member shall agree to comply with the Articles of Incorporation, Bylaws, and Regulations adopted by the Board of Directors.

**Section 5 - Membership Fee.** The membership fee shall be fifteen dollars (\$15.00) upon the payment of which a member shall be eligible for one or more service connections.

**Section 6 - Purchase of Electric Energy.** Each member shall, as soon as electric energy shall be available, purchase from the ~~Cooperative~~ Corporation all electric energy used on the premises specified in his application for membership, and shall pay therefor at rates which shall from time to time be fixed by the Board. 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~~ Corporation such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by him to the ~~Cooperative~~ Corporation as and when the same shall become due and payable. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be subject to appropriate regulations, as shall be fixed from time to time by the ~~Cooperative~~ Corporation. A member shall make available to the ~~Cooperative~~ Corporation a suitable site for the placement of the ~~Cooperative~~ Corporation's physical facilities for the furnishing and metering of electric service and will be required to permit the access by the ~~Cooperative~~ Corporation's authorized agents, etc.

#### **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, by the affirmative vote of not less than two-thirds of all the directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules and regulations adopted by the Board, but only if such member shall have been given

written notice by the ~~Cooperative~~ Corporation that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board. The membership of a member who for a period of six (6) months after service is available to him, has not purchased electric energy from the ~~Cooperative~~ Corporation, 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 membership certificate of such member shall be surrendered forthwith to the ~~Cooperative~~ Corporation. Termination of membership in any manner shall not release a member or his estate from any debts due the ~~Cooperative~~ Corporation.
- (c) In case of withdrawal or termination of membership in any manner, the ~~Cooperative~~ Corporation shall repay to the member the amount of the membership fee paid by him, provided, however, that the ~~Cooperative~~ Corporation shall deduct from the amount of the membership fee the amount of any debt or obligation owed by the member to the ~~Cooperative~~ Corporation. The ~~Cooperative~~ Corporation may, at the request of a member, retain the membership fee on an inactive electric service to be used in the future to activate an electric service in the same member's name.

## ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

### Section 1 - Property Interest of Members.

Upon dissolution, after

- (a) all debts and liabilities of the ~~Cooperative~~ Corporation shall have been paid; and
- (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the ~~Cooperative~~ Corporation shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten (10) years next preceding the date of the filing of the certificate of dissolution.

**Section 2 - Non-liability for Debts of the ~~Cooperative~~ Corporation.** The private property of the members shall be exempt from either execution or other liability for the debts of the ~~Cooperative~~ Corporation and no member shall be liable or responsible for any debts or liabilities of the ~~Cooperative~~ Corporation.

## ARTICLE III MEETINGS OF MEMBERS

**Section 1 - Annual Meeting.** The Annual Meeting of the members shall be held during the months of June, July or August of each year at such place within a county served by the ~~Cooperative~~ Corporation, as selected by the Board and which shall be designated in the notice of the meeting, for the purpose of receiving reports for the previous fiscal year and discussing such other matters 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 the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the ~~Cooperative~~ Corporation.

**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 three (3) directors, by the President, or by ten (10) per centum 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. Special meetings of the members may be held at any place within one (1) of the counties served by the ~~Cooperative~~ Corporation as designated by the Board and shall be specified in the notice of the special meeting.

**Section 3 - Notice of Members' Meetings.** Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual 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 (10) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the ~~Cooperative~~ Corporation, 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.** As long as the total number of members does not exceed five hundred (500), ten (10) per centum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed one thousand (1,000), one hundred fifty (150) 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 from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

**Section 5 - Business to be Voted Upon by Members and Voting Thereon.** The transaction of all business of the ~~Cooperative~~ Corporation requiring a vote of the membership shall be transacted by a mail ballot, except as otherwise provided in these Bylaws. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote of the members. All questions shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by law, the Articles of Incorporation or these Bylaws. On all questions other than the election of directors, the Board shall designate nine (9), one from each district, members who shall constitute a tellers committee responsible for counting the ballots received when submitting such a question. The members of the tellers committee shall be at least eighteen (18) years of age and shall not be existing ~~Cooperative~~ Corporation employees, agents, officers, directors, known candidates or close relatives or members of the same household thereof, nor shall anyone having a conflict of interest with the question being raised serve as a teller or receive compensation therefor.

The ~~Cooperative~~ Corporation shall provide a self-addressed envelope postage prepaid for the purpose of returning the ballot. The ballot, when received by the ~~Cooperative~~ Corporation, shall be placed in the box or boxes provided by the ~~Cooperative~~ Corporation for holding director

ballots. The box or boxes shall be locked and the key or keys delivered to the tellers committee at such time as the committee shall determine. The result shall be certified to the Board by the tellers committee.

**Section 6 - Vote on Questions Directed by Member Meetings.** By a majority vote of the members present at any regular or special meeting of the members conducted pursuant to these Bylaws, the Board may be directed to submit any question to the whole membership for a vote by mail ballot.

**Section 7 - 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 may be essentially as follows, except as otherwise determined by the members at such meeting.

- (a) Report on the number of members present in person in order to determine the existence of a quorum.
- (b) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (d) Presentation and consideration of reports of officers, directors and committees.
- (e) Tellers' report of election of directors and any other balloting.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

**Section 8 - Proxies.** At any meeting of the members or any adjournment thereof, any member may vote by proxy, but only if such proxy: (a) is registered with the Corporation at its principal office during office hours on or before the third business day next preceding the date of the meeting or any adjournment thereof, as the case may be, (b) is executed by the member in writing and designates the holder thereof, which holder shall be the member's spouse, an adult close relative (18 years or older) residing in the same household as the member or another member who is a natural person, and (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof: PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executes two (2) or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at a meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. No person may vote as proxy for more than three (3) members at any meeting of the members. Notwithstanding the foregoing provisions of this section, whenever a member is absent from a meeting of the members but whose spouse attends such

meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member could vote if present in person, unless such member has given a written proxy to some other person eligible to vote such proxy.

Notwithstanding the foregoing provisions of this section, no member shall be entitled to vote by proxy on any question submitted to the members at a members' meeting under Article VIII of these Bylaws.

#### ARTICLE IV DIRECTORS

**Section 1 - General Powers.** The business and affairs of the ~~Cooperative~~ Corporation shall be managed by a Board of nine (9) directors which shall exercise all the powers of the ~~Cooperative~~ Corporation except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

**Section 2 - Election and Tenure of Office.** Each director shall serve for a term of three (3) years. At the time specified herein each year, three (3) directors shall be elected by mail ballot by and from the members to serve for a period of three (3) years or until successors shall have been elected and qualified, the present terms of the directors having been established so that three (3) expire each year. The results of such elections shall be reported at each Annual Meeting of members.

**Section 3 - Qualifications.** No person shall be eligible to become or remain a director of the ~~Cooperative~~ Corporation who:

- (a) is not a member in good standing and bona fide permanent resident of the district he represents in the certified territory of the ~~Cooperative~~ Corporation for at least six months prior to the deadline for filing a petition for candidacy; or
- (b) is in any way employed by or has a financial interest in or is a Board member of a competing enterprise selling electrical energy or supplies to the ~~Cooperative~~ Corporation.
- (c) is not at least eighteen (18) years of age upon the filing of a petition for candidacy or who is an employee of the ~~Cooperative~~ Corporation, a former employee involuntarily terminated from employment with the ~~Cooperative~~ Corporation or is a close relative of an employee of the ~~Cooperative~~ Corporation or a sitting director of the ~~Cooperative~~ Corporation. A close relative shall include the relationships by blood or marriage of husband, wife, father, mother, son, daughter, brother or sister.

Notwithstanding any of the foregoing provisions of this section treating with close relative relationships, no incumbent director shall lose eligibility to remain a director or to be reelected as a director if he becomes a close relative of another incumbent director or of a Corporation employee because of a marriage to which he was not a party.

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

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

**Section 4 - Filing and Election of Directors.**

- (a) In order to assure broad geographical representation and, at the same time, equitable proportional representation, the territory served or to be served by the ~~Coöperative~~ Corporation shall be divided into nine (9) districts, each of which shall contain as nearly as possible the same number of members. Each district shall be represented by one (1) Board member. The nine (9) districts shall be as follows:

District 1 - The area north of the Cumberland River in Livingston County

District 2 - The area south of the Cumberland River in Livingston County.

District 3 - All the ~~Coöperative~~ Corporation service area in Marshall County.

District 4 - All of the ~~Coöperative~~ Corporation service area in Graves County.

District 5 - Carlisle-Ballard District - All of the ~~Coöperative~~ Corporation service area in Carlisle County and that portion of Ballard County lying south of Highway 286 as it exists in the year 1969.

District 6 - Ballard District - All of the ~~Coöperative~~ Corporation service area lying north of Highway 286 as it exists in the year 1969.

Districts 7, 8, and 9 as follows - Beginning at the point where Massac Creek flows into the Ohio River, the Massac Creek shall be the boundary line from the Ohio River extending in a southeastern direction to the head of the Massac Creek at the point where State Highway 999, extending south and parallel with U.S. 45, makes a junction with the Krebs Station Road. From this road junction, the boundary line takes the nearest southeastern line [approximately one (1) mile to the head of the Blizzard Bottom Ditch to a point one (1) mile west of the Oaks Road]. The boundary line then shall extend due south to the Graves County line. U.S. 62 and State Highway 286 shall be the boundary line from Massac Creek extending southwest to the Ballard County line.

District 7 - McCracken County Area 1 - Would be that area within the boundaries of Massac Creek on the east, Highway 62 and 286 on the south and Ballard County line on the west and the Ohio River to the north.

District 8 - McCracken County Area 2 - Would be that area within the boundaries of Massac Creek on the northeast and Highway 62 and 286 on the

northwest, Ballard County line on the west, Graves County to the south and on the east by the line one (1) mile west of the Oaks Road and the Blizzard Bottom Ditch to the Massac Creek.

District 9 - McCracken County Area 3 - Would be that area bordered by the Marshall County line on the east, the Graves County line on the extreme south, the line one (1) mile west of the Oaks Road along with the Blizzard Bottom Ditch and Massac Creek to the west and on the north and northeast by the Ohio River Paducah area and the Tennessee River.

Not less than sixty (60) days before the deadline for filing a petition for candidacy, the Board shall review the composition of the several districts, and if it finds the best interests of the Corporation and its members will be served thereby, shall reconstitute the districts forthwith.

- (b) **Filing Petition for Election.** Any member qualified under these Bylaws may file as a candidate for one of the three (3) directors elected each year by filing a petition as herein required. The petition shall set forth the name and address of the candidate and the area the candidate seeks to serve. The petition shall be signed by at least fifty (50) members of the ~~Cooperative~~ Corporation which signatures shall appear below the following statement: "We, the following members of Jackson Purchase Energy ~~Cooperative~~ Corporation, do endorse the candidacy of the foregoing named member for membership on the Board of Directors to serve the district above designated." The petition shall be filed in the month of April. It shall be filed at the office of the ~~Cooperative~~ Corporation with the General Manager or his designated representatives. Prior to the month in which the petition is to be filed, the General Manager shall designate at least three (3) employees authorized to receive such petition in his absence. His designation shall be posted in public view. The General Manager or his authorized representative shall give the candidate a receipt noting the time and day of receiving the petition and the same information shall be endorsed on the petition and signed by both the candidate and the General Manager or his designated representative. The General Manager or his authorized representative shall examine the signatures on the petition to determine whether all such signatures or more than fifty (50) of the same are voting members of the ~~Cooperative~~ Corporation, and if they are, he or she shall so note in the receipt given to the candidate. After receipt of the petition, the candidate shall be notified of the status of his petition within seven (7) working days.
- (c) **Ballot.** After the time for filing petitions has expired, a ballot containing the name of each candidate shall be prepared by the ~~Cooperative~~ Corporation. In the event more than one (1) candidate files for a vacancy, a drawing shall be held on the first working day in the month of May at the hour of 10:00 a.m. (prevailing time) in order to determine the order in which such candidates names shall appear on the ballot. Each candidate, or his representative, may be present and participate in the drawing. The ballot shall be so prepared that it clearly indicates the three (3) districts from which directors are being elected with the list of candidates appearing under each such district. The ballot shall note that the member should mark his ballot for only one (1) candidate in each district. The ballot shall not be prepared in any way to make it

possible to determine which member voted it. The ballot shall state that in order for it to be valid and counted, it must be deposited in the United States mail in sufficient time for it to be received by the ~~Cooperative~~ Corporation prior to 10:00 a.m. (prevailing time) on the day preceding the day set for the Annual Meeting. The ballots shall be numbered consecutively beginning with the number one (1).

- (d) **Election Tellers.** Immediately upon expiration of the time provided for filing candidacy petitions, the Secretary to the ~~Cooperative~~ Corporation shall notify each candidate in writing that he is entitled to name one (1) election teller and one (1) alternate election teller. The alternate shall serve in the absence of the teller. Each candidate shall name his teller and alternate by notifying the Secretary by return mail within ten (10) days after receipt of the notice. After each candidate has named his teller and alternate, the Board shall designate the time for the first meeting of tellers. The Board shall name as many election tellers as are necessary to insure that there is always a minimum of twelve (12). All election tellers shall be at least eighteen (18) years of age and shall not be existing ~~Cooperative~~ Corporation employees, agents, officers, director, known candidates or close relatives or members of the same household thereof. At the first meeting of the tellers, a chairman shall be selected. The Board shall issue an invitation to the Kentucky Farm Bureau to act as monitors and observe the election process.
- (e) **Mailing of Ballots.** A ballot shall be mailed to each member of the ~~Cooperative~~ Corporation holding a voting membership at least fourteen (14) days before the date set for the Annual Meeting. The mailing of ballots shall be the responsibility of and shall be accomplished under the supervision of the election tellers. A list of all members entitled to a ballot shall be prepared by the ~~Cooperative~~ Corporation. The election tellers shall compare the addressed ballots with the list to insure that each member entitled to a ballot is mailed one, and they shall certify the same. The said list shall be available for inspection by any member. All members holding a voting membership as of the day on which ballots are mailed, shall be entitled to receive a ballot. The ballots shall be addressed to the mailing address to which the member's bill is mailed. The accuracy of the United States mail shall be presumed and no member whose name appears on the above list as having received a ballot shall then be given a second ballot.
- (f) **Voting of Ballots and Returning Ballots.** A self-addressed envelope bearing a postal permit for postage shall be sent each member with the ballot. This return envelope shall be pre-addressed to the election tellers at a post office box in the United States Post Office at Paducah, Kentucky. A member shall return his ballot in this pre-addressed envelope so that it is deposited in the post office box secured by the election tellers. To be valid all returned ballots shall be deposited in the United States mail. The inclusion of more than one (1) ballot in one envelope shall not disqualify any such ballots for that reason. The ~~Cooperative~~ Corporation shall provide at the office of the ~~Cooperative~~ Corporation a secure and locked box or boxes in which the ballots shall be placed. There shall be two (2) locks placed on each box or boxes. Prior to the time ballots are to be returned, the election tellers shall meet and designate two (2) of their number to pick up ballots at the United States Post Office and place them in the box or boxes provided for that purpose. Each of the two

(2) tellers so designated shall be given all keys to one (1) of the two (2) locks on each box. Both tellers shall together call at the United States Post Office for the returned ballots. Together they shall directly take the ballots to the ~~Cooperative~~ Corporation, each teller using his key to unlock one (1) of the two (2) locks on the box, place the ballots in the box and again lock the box. No ballot shall at any time be opened or tampered with. Any ballots returned to the ~~Cooperative~~ Corporation under any circumstances shall be immediately placed in the custody of the tellers committee.

- (g) **Counting Ballots.** The ballots shall be counted on the day preceding the day set for the Annual Meeting. The election tellers shall meet at 9:00 a.m. (prevailing time) on that day for the purpose of counting the ballots. It shall be the responsibility of the Chairman to organize the counting procedure. The two (2) tellers previously designated for the purpose shall immediately check at the United States Post Office to see if there are any ballots in the possession of the Post Office not yet delivered to the ~~Cooperative~~ Corporation. When it has been determined that all ballots then in possession of the Post Office have been delivered to the tellers, the tellers shall proceed to count the ballots. No ballot will be picked up at the Post Office after 10:00 a.m. (prevailing time) on the day set for counting of ballots. The two (2) tellers holding the keys to the box or boxes shall open the same in the presence of all tellers.
- (h) **Duties of Election Tellers.** It shall be the duty of the election tellers to ~~see~~ ensure that a ballot is mailed to each member entitled to a ballot, to receive the returned ballots in the envelopes unopened, open the same in the presence of each other and determine the number of votes received by each candidate. As the ballots are counted, the election ~~tellers~~ teller shall determine the validity of each ballot. Any one (1) election teller may challenge a ballot. A ballot may be disqualified by a majority of all election tellers. A tie vote of election tellers shall fail to disqualify a ballot.

**The following shall not be counted:**

- (1) A vote marked for more than one candidate for any one vacancy;
- (2) Ballots other than the official ballot; and
- (3) Ballots arriving late.

**The following may be counted:**

- (1) Ballots on which the mark is not in the place provided but does show the intention of the voter; and
  - (2) Ballots on which there is an erasure or change of intention shown or possible tampering, but the tellers are still able to determine the true intention of the voter.
- (i) **Certification of Results.** The election tellers shall, on a form provided by the General Manager, certify by their signatures the number of votes received by each candidate. The report shall be read to the members by the chairman of the tellers during the business session of the Annual Meeting on the next succeeding day.

**Section 5 - Removal of a Director by Members.** Any member may bring charges for cause against a director and may request removal of such director by reason thereof by filing with the

Secretary such charges in writing together with a petition signed by at least ten (10) per centum of the then-total membership of the ~~Cooperative~~ Corporation, which petition calls for a special member meeting, the stated purpose of which shall be to present such charges to the members, and which specifies the place, time and date thereof within not less than forty-five (45) days after the filing of such petition or request that the matter be presented to the members at the next Annual Meeting of the members if the same will be held no sooner than ninety (90) days after such petition is filed. Each page of the petition shall, in the forepart thereof, state the name and address of the member filing such charges, a verbatim statement of such charges and the name of the director against whom such charges are being made. Notice of such charges verbatim, the director against whom the charges have been made and of the member filing the charges shall be contained in or accompany the notice of the meeting to the members not less than ten (10) days prior to the member meeting.

Such director shall be informed in writing of the charges at least twenty (20) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard, in person or by counsel, and present evidence in respect to the charges, and shall be heard last; and the person or persons bringing the charges against him shall have the same opportunity. If approved by a majority vote of the members present at any annual or special meeting, the question of such removal shall be submitted to the members within thirty (30) days following the meeting of the members by sending a ballot to every member setting forth the question of such removal so that it might be answered "yes" or "no", and the ballots shall be returned within ten (10) days after they are mailed. The ballots shall be counted by tellers named by the Board as provided in Article III, Section 5. A director shall be removed by a majority vote of the members voting.

Thee chairman of the said special or regular meeting shall be a licensed attorney appointed by the attorney to the Board, and the Corporation shall compensate him for his services. A charge that a director has, in a lawful manner, opposed or resisted any effort to sell, transfer, exchange, convey or otherwise dispose of all or a substantial portion of the Corporation's properties and assets or to dissolve the Corporation shall not constitute a "charge for cause" on the basis of which a director may be removed from office under this section. If the question of removal is in the affirmative, the vacancy shall be filed in accordance with Section 6, Article IV of these Bylaws.

**Section 6 - Vacancies.** Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, or vacancies caused by the death or resignation of directors, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining directors with a member who meets the qualifications required under these Bylaws for such director position, and the member so appointed shall serve the unexpired portion of the term of the member who has vacated his position on the Board.

**Section 7 - Compensation.** Directors shall not receive any salary for their services as such, except that the Board may, by resolution, authorize a fixed sum for each day or portion thereof spent on ~~Cooperative~~ Corporation business, such as attendance at meetings, conferences and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such ~~Cooperative~~ Corporation business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No director shall receive compensation for serving the ~~Cooperative~~ Corporation in any other capacity, nor



shall any close relative of a director receive compensation for serving the Cooperative Corporation, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the director or his close relative shall have been certified by the Board as an emergency measure. The members may, by resolution, fix a maximum sum which the directors may authorize for the payments of attendance fees and expense allowances. As per the 1998 Annual Meeting, the members have set the maximum sum for director fees as follows:

President of the Board	\$12,000 per calendar year
Certified Board Members	\$ 8,000 per calendar year
Non-Certified Board Members Not Working on Certification	\$ 8,000 per calendar year
Board Members Working on Certification	\$ 9,000 per calendar year

To ensure compliance with these limits, the board fees and expenses of the board members will be reviewed monthly by the entire board. In addition, the Board will publish a listing of the amount of fees and expenses paid to each board member for the previous calendar year in the cooperative newsletter in the month prior to the Annual Meeting.

## ARTICLE V MEETING OF DIRECTORS

**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 in McCracken County, Kentucky, as the Board may provide by resolution. Such regular monthly meetings 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 President or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President, or the directors calling the meeting, shall fix the time and place (which shall be in McCracken County, Kentucky) for the holding of the meeting.

**Section 3 - Notice of Director Meetings.** Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each director not less than five (5) days previous thereto either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Cooperative Corporation, with postage thereon prepaid.

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

## ARTICLE VI OFFICERS

**Section 1 - Number.** The officers of the ~~Cooperative~~ Corporation shall be a President, Vice-President, 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 shall be elected by 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 conveniently may be. 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 any office shall be filled by the Board for the unexpired portion of the term.

**Section 3 - Removal of Officers and Agents by Directors.** Whenever the Board, for good cause and in its judgment to serve the best interests of the ~~Cooperative~~ Corporation, determines that any officer or agent elected or appointed by the Board should be removed, the Board has the power to do so.

**Section 4 - President.** The President shall:

- (a) be the principal executive officer of the ~~Cooperative~~ Corporation and, unless otherwise determined by the members or the Board, shall preside at all meetings of the members and the Board;
- (b) sign, with the Secretary, certificates of membership, the issue of which 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~~ Corporation, or shall be required by law to be otherwise signed or executed; and
- (c) in general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

**Section 5 - 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. The Vice-President shall also perform such other duties from time to time as may be assigned to him by the Board.

**Section 6 - Secretary.** The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;

- (c) the safekeeping of the corporate books and records and the seal of the ~~Coöperative~~ Corporation and affixing the seal of the ~~Coöperative~~ Corporation to all certificates of membership prior to the issue thereof, and to all documents, the execution of which on behalf of the ~~Coöperative~~ Corporation 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, with the President, 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 ~~Coöperative~~ Corporation containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the ~~Coöperative~~ Corporation, a copy of the Bylaws and of all 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 from time to time may be assigned to him by the Board.

**Section 7 - Treasurer.** The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the ~~Coöperative~~ Corporation;
- (b) the receipt of and the issuance of receipts for all monies due and payable to the ~~Coöperative~~ Corporation and for the deposit of all such monies in the name of the ~~Coöperative~~ Corporation in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and
- (c) in general, performance of all duties as from time to time may be assigned to him by the Board.

**Section 8 - Manager.** The Board may appoint a Manager who may be, but who shall not be required to be, a member of the ~~Coöperative~~ Corporation. The Manager shall perform such duties and shall exercise such authority as the Board may from time to time vest in him.

**Section 9 - Bonds of Officers.** The Treasurer and any other officer or agent of the ~~Coöperative~~ Corporation charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the Board shall determine. The Board, in its discretion, may also require any other officer, agent or employee of the ~~Coöperative~~ Corporation to be bonded in such amount and with such surety as it shall determine.

**Section 10 - Compensation.** The powers, duties and compensation of officers, agents and employees shall be fixed by the Board subject to the provisions of these Bylaws with respect to compensation for directors and close relatives of directors.

**Section 11 - Reports.** The officers of the ~~Coöperative~~ Corporation shall submit at each Annual Meeting of the members reports covering the business of the ~~Coöperative~~ Corporation for the previous fiscal year. Such reports shall set forth the condition of the ~~Coöperative~~ Corporation at the close of such fiscal year.

**Section 12 - Delegation of Secretary's and Treasurer's Responsibilities.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6 and 7, the Board by resolution may, except as otherwise limited by law,

delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one (1) or more agents, other officers or employees of the Corporation 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.

## ARTICLE VII NON-PROFIT OPERATION

**Section 1 - Interest or Dividends on Capital Prohibited.** The ~~Coöperative~~ Corporation shall, at all times, be operated on a ~~Coöperative~~ Corporation nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the ~~Coöperative~~ Corporation on any capital furnished by its patrons.

**Section 2 - Patronage Capital in Connection with Furnishing Electric Energy.** In the furnishing of energy, the ~~Coöperative~~ Corporation's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the ~~Coöperative~~ Corporation. In order to induce patronage and to assure that the ~~Coöperative~~ Corporation will operate on a nonprofit basis, the ~~Coöperative~~ Corporation is obligated to account on a patronage basis to all its patrons 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 ~~Coöperative~~ Corporation are received with the understanding that they are furnished by the patrons, as capital. The ~~Coöperative~~ Corporation 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 the ~~Coöperative~~ Corporation 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., Each patron shall have the right, within a reasonable time after the close of the fiscal year, to request a disclosure of the amount of capital so credited to his account. The ~~Coöperative~~ Corporation shall respond to such a request within ten (10) working days from the date of the request or as promptly thereafter as possible.

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 a legal obligation to do so and the patron had then furnished the ~~Coöperative~~ Corporation corresponding amounts for capital. All other amounts received by the ~~Coöperative~~ Corporation from its operations in excess of costs and expenses shall, insofar as permitted by law, be:

- (a) used to offset any losses incurred during the current or any prior fiscal year; and
- (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the ~~Coöperative~~ Corporation, after all outstanding indebtedness of the ~~Coöperative~~ Corporation 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~~ Corporation will not be impaired thereby, the capital then credited to patrons' 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 the ~~Cooperative~~ Corporation being first retired.

Capital credited to the account of each patron shall be assignable only on the books of the ~~Cooperative~~ Corporation pursuant to written instructions from the assignor, and only to successors in interest or successors in occupancy, in all or a part of such patron's premises served by the ~~Cooperative~~ Corporation unless the Board acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the Board, 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, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the ~~Cooperative~~ Corporation will not be impaired thereby.

The Corporation, before retiring any capital credited to any patron's account, shall deduct therefrom any delinquent amount owing by such patron to the Corporation, together with interest thereon at the legal rate of judgments in effect when such amount became overdue, compounded annually.

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

#### **ARTICLE VIII DISPOSITION OF PROPERTY**

(1) Not inconsistently with the provisions of KRS 279.140 and subsection (2), the ~~Cooperative~~ Corporation shall not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its properties and assets unless such sale, mortgage, lease or other disposition or encumbrance is authorized by a majority of the then-total members of the ~~Cooperative~~ Corporation, cast in person, at a duly held meeting of the members. No member shall be entitled to vote by proxy on any question submitted to the members under this Article. Notwithstanding anything herein contained, the Board, without authorization of the members thereof, shall have full power and authority to:

- (a) Sell or otherwise dispose of:
1. Property which, in the judgment of the Board, neither is nor will be necessary or useful in maintaining the ~~Cooperative~~ Corporation's system and facilities; provided, however, that all sales of such property shall not in any one (1) year exceed in value ten (10) per centum of the value of all of the property of the ~~Cooperative~~ Corporation (value shall be defined as the total utility plant value);
  2. Services of all kinds, including electric energy;
  3. Personal property acquired for resale; and
  4. Properties and assets sold in the ordinary course of business.
- (b) Authorize the execution and delivery of a mortgage or mortgages or a deed of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the ~~Cooperative~~ Corporation, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the ~~Cooperative~~ Corporation to the United States of America or any instrumentality or agency thereof or any other agency where mortgage arrangements can be accommodated and approved by the Rural Utilities Service; provided further that the Board may upon the affirmative vote of a majority of members voting by mail ballot as set forth in Article III, Section 5, of these Bylaws, sell, lease or otherwise dispose of all or a substantial portion of its properties and assets to another ~~Cooperative~~ Corporation or foreign corporation doing business in this State pursuant to the act under which this ~~Cooperative~~ Corporation is incorporated.
- (2) Supplementary to the first sentence of the foregoing subsection (1) and any other applicable provisions of law or these Bylaws, no sale, mortgage, lease or other disposition of all or any substantial portion of the Corporation's properties and assets ("transactions") shall be authorized except in conformity with the following:
- (a) If the Board looks with favor upon any proposal for any such transaction, it shall first appoint three (3) persons, each of whom is independent of the Corporation and of the other two (2) and is expert in electric utility property evaluations, and commission them separately to study, appraise and evaluate such assets and properties, including their going concern value and the values associated with the rights of the members to participate in the ownership and control of the Corporation. Such appraisers shall be instructed to, and shall take into account, any other factors they may deem relevant in determining the present market value of such assets and properties. Within not more than sixty (60) days after their appointment and commission, each appraiser shall render his highest determination of such present value. The Board shall not recommend and submit any proposal it shall have received for such a transaction, or make any offer of such a transaction for a consideration that is less than the highest such determination rendered by the appraisers; nor shall it, following the expiration of one (1) year thereafter, make such a recommendation or offer without, again, first complying with the foregoing appraisal requirements.

- (b) If, after receiving such appraisals, the Board resolves to pursue the matter further, it shall, within sixty (60) days after adoption of such resolution, transmit the appraisals, together with any underlying data and information that may have accompanied them, to every other electric membership corporation and electric utility corporately sited and operating in Kentucky and invite it to submit competing or alternative proposals, including proposals to merge or consolidate with the Corporation. Such appraisals shall also be accompanied by any proposal for such a transaction received by the Corporation; PROVIDED, only the most recent proposal from an entity that has made two (2) or more proposals need be so transmitted. Such other electric membership corporations shall be given at least sixty (60) days within which to submit competing or alternative proposals, and they shall be notified in such transmittal of the actual final date for such submissions.
- (c) If, after such date, the Board so resolves, it shall recommend and submit to the members: [1] a proposal for such a transaction, or [2] a proposal to merge or consolidate the Corporation with one (1) or more other electric membership corporations. The Board may recommend and submit two (2) or more such proposals in the alternative, in which case it shall specify its preference as to which shall be approved by the members -- that is, first choice, second choice, etc. -- and the order in which such alternatives will be considered and acted upon at the meeting. The Board shall accompany its recommended proposal(s) with verbatim copies of all competing or alternative proposals it has received, together with all of the appraisals and any underlying data and information that may have accompanied such appraisals. The Board shall submit such recommendation and information to the members and shall at the same time call and give notice of a special meeting of the members thereon or, if it so determines, notify the members that the matter will be considered and acted upon at the ensuing annual member meeting, in either case, stating in detail each of any such proposals. The special or annual meeting shall be held not sooner than ninety (90) days after the giving of such notice thereof.
- (d) Ten (10) per centum of the then-total membership of the Corporation may, over their respective signatures and within not less than forty-five (45) days prior to the date of such member meeting, petition the Corporation to mail to all of the Corporation's members any statement of opposition to the Board's recommendation and/or of their own recommendation that a competing or alternative proposal, which may be or include a proposition to merge or consolidate the Corporation with one (1) or more other electric membership corporations, be submitted to and acted upon by the members at such meeting, in which event, the Board shall cause a printed copy of the petition, including the printing of the names of the member signatories thereof, together with a printed copy of the statement, to be transmitted to all of the Corporation's members via the United States mail not less than twenty-five (25) days prior to such member meeting, with the cost of such printing and mailing to be borne by the Corporation. When so mailed, such petition and statement shall constitute sufficient notice of any such competing or alternative proposal for the same to be considered and acted upon at such meeting. The meeting shall first consider and act upon the recommend-ation(s) of the Board. If two (2) or more alternative such recommendations have been made by the Board, they shall be considered and acted upon in the order specified by the Board. If the members fail to approve any Board-

recommended proposal, they shall then consider and act upon the competing, alternative proposal(s) which have, by petition, been submitted by the members in the order in which they were received, if two (2) or more such proposals have been submitted, or in the order of priority specified in a petition. The members may take such action on such proposal(s) as may be legally availing to them.

(3) No offer of such a transaction, whether made to or by the Board, shall be valid or, if made and accepted, enforceable unless the total consideration to be paid or otherwise furnished therefor, to the extent that the same is in excess of the amounts necessary to discharge, or to provide for the discharge of, all of the Corporation's debts, obligations and liabilities, shall be distributed to or, if such be the case, allocated and assigned to the patrons or former patrons of the Corporation in the manner provided for in the Articles of Incorporation, Bylaws or applicable law.

## ARTICLE IX SEAL

The corporate seal of the ~~Cooperative~~ Corporation shall be in the form of a circle and shall have inscribed thereon the name of the ~~Cooperative~~ Corporation and the words "Corporate Seal, Kentucky."

## ARTICLE X FINANCIAL TRANSACTIONS

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

**Section 2 - Checks, Drafts, etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the ~~Cooperative~~ Corporation, shall be signed and countersigned by such officer or officers, agent or agents, employee or employees of the ~~Cooperative~~ Corporation and in such manner as shall from time to time be determined by resolution of the Board.

**Section 3 - Deposits.** All funds received by the ~~Cooperative~~ Corporation shall be deposited from time to time to the credit of the ~~Cooperative~~ Corporation 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 (90) days prior to the date upon which any proposed change in the rates charged by the ~~Cooperative~~ Corporation for electric energy becomes effective.

**Section 5 - Fiscal Year.** The fiscal year of the ~~Cooperative~~ Corporation 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.



**Section 6 - Indemnification of Officers, Directors, Employees and Agents.** The Cooperative Corporation 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 Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Cooperative Corporation, or who is or was serving at the request of the Cooperative Corporation as a director, officer, employee or agent of another Cooperative Corporation, association, partnership, joint venture, trust or other enterprise, against expenses (including all costs of defense), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative Corporation and, with respect to any criminal action or proceeding, had not 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 Corporation, and with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

To the extent that a director, officer, employee or agent of the Cooperative Corporation 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 Corporation) of any claim, issue or matter therein, such person shall be indemnified against expenses (including all costs of defense) actually and reasonably incurred by such person in connection therewith.

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

The Cooperative Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative Corporation, or who is or was serving at the request of the Cooperative Corporation as a director, officer, employee or agent of another Cooperative Corporation, association, 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 Corporation would have the power to indemnify such person against such liability under the provisions of this Bylaw.

## ARTICLE XI MISCELLANEOUS

**Section 1 - Membership in Other Organizations.** The Cooperative Corporation shall not become a member of or purchase stock in any other organization without an affirmative vote of the members by mail ballot as set forth in Article III, Section 5 of these Bylaws upon such proposed membership or stock purchase; provided, however, that the Cooperative Corporation may, upon the authorization of the Board, purchase stock in or become a member of any corporation or organization organized on a nonprofit basis for the purpose of engaging in or

furthering the cause of rural electrification, or with the approval of the Administrator of RUS, of any other corporation for the purpose of acquiring electric facilities.

**Section 2 - Waiver of Notice.** Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director except in case a member or director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

**Section 3 - 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 Corporation.

**Section 4 - Accounting System 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 Corporation 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 5 - Area Coverage.** The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative Corporation service area who (a) desire such service, and (b) meet all reasonable requirements established by the Cooperative Corporation as a condition of such service.

## ARTICLE XII AMENDMENTS

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds ( $\frac{2}{3}$ ) of all of the directors at any regular or special meeting, provided a notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. In the event the Board finds a need for alteration, amendment or repealing of Articles II, III, IV, VII, VIII, XI or XII of the Bylaws, such proposed alteration, amendment or repeal shall first be submitted to the members by mail ballot for their approval or disapproval of the proposed action of the Board. Upon receipt of the an approval vote of the membership of such proposed alteration, amendment or repeal, such change would take effect immediately. A disapproval vote by the membership would leave the Bylaw language unchanged. ~~with respect to such proposal and notwithstanding the result of the same, the Board, at any regular or special meeting, may then by an affirmative vote of not less than two thirds ( $\frac{2}{3}$ ) of the directors thereof adopt the said proposed alternation, amendment or repeal provided the notice of such meeting shall have contained the proposed alteration, amendment, or repeal.~~

## STATEMENT OF NONDISCRIMINATION

Jackson Purchase ~~Electric~~ Energy ~~Cooperative~~ Corporation has filed with the Federal Government a Compliance Assurance in which it assures the Rural Utilities Service that it will comply fully with all requirements of Title VI of the Civil Rights Act of 1964 and the Rules and Regulations of the Department of Agriculture issued thereunder, to the end that no person in the United States shall, on the grounds of race, color or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program and the operation of its facilities. Under this Assurance, this organization is committed not to discriminate against any person on the grounds of race, color or national origin in its policies and practices relating to applications for service or any other policies and practices relating to treatment of beneficiaries and participants, including rates, conditions and extension of service, use of any of its facilities, attendance at and participation in any meetings of beneficiaries and participants or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of this organization.

"Any person who believes himself, or any specific class of individuals, to be subjected by this organization to discrimination prohibited by Title VI of the Act and the Rules and Regulations issued thereunder may, by himself or a representative, file with the Secretary of Agriculture, Washington, D.C. 20250, or the Rural Utilities Service, Washington, D.C. 20250, or this organization, or all, a written complaint. Such complaint must be filed not later than one hundred eighty (180) days after the alleged discrimination, or by such later date to which the Secretary of Agriculture or the Rural Utilities Service extends the time for filing. Identity of complaints will be kept confidential except to the extent necessary to carry out the purposes of the Rules and Regulations."

# BYLAWS

## 1995

with  
Changes Reflected

JACKSON  
PURCHASE  
ELECTRIC COOPERATIVE

(1995)  
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*Amended June 19, 1995*

## BYLAWS (1995)

### ARTICLE I MEMBERSHIP

**Section 1 - Requirements for Membership.** Any person, firm, association, corporation, or body politic or subdivision thereof ~~may~~ shall be eligible to become a member of and to receive electric service from Jackson Purchase Electric Cooperative Corporation (hereinafter called the "Cooperative") at one or more premises owned or directly occupied or used by him or it, ~~upon receipt of electric service from the Cooperative,~~ provided that he or it has first:

- (a) made a written application for membership therein;
- (b) agreed to purchase from the Cooperative electric energy as hereinafter specified;
- (c) agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors (hereinafter called the "Board"); and
- (d) paid the membership fee hereinafter specified.

Provided, however, that all applications for membership shall be automatically accepted, unless the Board determines that the applicant is unable or unwilling to meet all related terms and conditions of service, or that the application should be rejected for good cause. No member may hold more than one ~~voting~~ (1) membership in the Cooperative, and no membership in the Cooperative shall be transferable except as provided in these Bylaws.

**Section 2 - Types of Membership and Certificates Therefor.** 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. ~~There shall be two (2) types of membership, a voting membership and a non-voting membership. A voting membership certificate shall be issued for the first and only service connection received by a member. A non-voting membership certificate shall be issued for each additional service connection received by the same member.~~ Each Such certificate shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. ~~Neither such~~ No membership certificate shall be issued for less than the membership fee fixed in ~~Section 5 of this Article~~ these Bylaws, nor until such membership fee has been fully paid. ~~for.~~ In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board may prescribe. ~~The words "same member" as used above includes a husband and his wife so that upon the receipt of a service connection by either one of them, all additional service connections received by either or both of them shall entitle either or both to receive only a non-voting membership.~~

**Section 3 - Joint Membership.** A husband and wife may apply for a joint ~~voting or non-voting~~ membership and subject to their compliance with the requirements set forth in Sections 1 and 2 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include a husband and wife holding a joint membership and any provision relating to the rights and liabilities of membership shall apply equally with respect to



the holders of the joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (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, except as otherwise provided in Section 4(c) of this Article;
- (g) Either, but not both, may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

#### **Section 4 - Conversion of Membership**

- (a) A ~~Either~~ membership may be converted to a joint membership upon the request of the holder thereof and the agreement by such holder and his or her spouse to comply with Articles of Incorporation, Bylaws and rules and regulations adopted by the Board.
- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor; provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.
- (c) A joint membership of a husband and wife may be converted to a single membership upon written request of both holders of the joint membership, provided, however, that neither spouse shall be released from any debts due the Cooperative. The continuing member shall agree to comply with the Articles of Incorporation, Bylaws, and Regulations adopted by the Board of Directors.

**Section 5 - Membership and Service Connection Fees.** The membership fee shall be fifteen (\$15.00) dollars upon the payment of which a member shall be eligible for one or more service connections. ~~A service connection fee of \$15.00 shall be charged for each additional service connection, and a non-voting membership certificate shall be issued for each such additional 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 used on the premises specified in his application for membership, and shall pay therefor at rates which shall from time to time be fixed by the Board. 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 such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be subject to appropriate regulations, as shall be fixed from time to time by the Cooperative. A member shall make available to the Cooperative a suitable site for the placement of the

Cooperative's physical facilities for the furnishing and metering of electric service and will be required to permit the access by the Cooperative's authorized agents, etc.

**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, by the affirmative vote of not less than two-thirds of all the directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules and regulations adopted by the Board, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board. The membership of a member who for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, 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 membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- (c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the member to the Cooperative. The Cooperative may, at the request of a member, retain the membership fee on an inactive electric service to be used in the future to activate an electric service in the same member's name.

**ARTICLE II  
RIGHTS AND LIABILITIES  
OF MEMBERS**

**Section 1 - Property Interest of Members.**

Upon dissolution, after

- (a) all debts and liabilities of the Cooperative shall have been paid; and
- (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten (10) years next preceding the date of the filing of the certificate of dissolution.

**Section 2 - Non-liability for Debts of the Cooperative.** The private property of the members shall be exempt from either execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

### ARTICLE III MEETINGS OF MEMBERS

**Section 1 - Annual Meeting.** The Annual Meeting of the members shall be held during the months of June, July or August of each year at such place within a 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 receiving reports for the previous fiscal year and discussing such other matters 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 the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

**Section 2 - Special Meetings.** Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any three (3) directors, by the President, or by ten (10) per centum 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. Special meetings of the members may be held at any place within one (1) of the counties served by the Cooperative as designated by the Board and shall be specified in the notice of the special meeting.

**Section 3 - Notice of Members' Meetings.** Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual 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 (10) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at 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.** As long as the total number of members does not exceed five hundred (500), ten (10) per centum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed one thousand (1,000), one hundred fifty (150) 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 from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

**Section 5 - Business to be Voted Upon by Members and Voting Thereon.** The transaction of all business of the Cooperative requiring a vote of the membership shall be transacted by a mail ballot, except as otherwise provided in these Bylaws. Each member ~~holding a voting membership~~ shall be entitled to only one (1) vote upon each matter submitted to a vote of the members. All questions shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by law, the Articles of Incorporation or these Bylaws. On all questions other than the election of directors, the Board shall designate nine (9), one from each district, ~~five (5) members other than directors or employees~~ who shall constitute a tellers committee responsible for counting the ballots received when submitting such a question. The members of the tellers committee shall be at least eighteen (18) years of age and shall not be

existing Cooperative employees, agents, officers, directors, known candidates or close relatives or members of the same household thereof, **nor shall anyone having a conflict of interest with the question being raised serve as a teller or receive compensation therefor.**

The Cooperative shall provide a self-addressed envelope postage prepaid for the purpose of returning the ballot. The ballot, when received by the Cooperative, shall be placed in the box or boxes provided by the Cooperative for holding director ballots. The box or boxes shall be locked and the key or keys delivered to the tellers committee at such time as the committee shall determine. The result shall be certified to the Board by the tellers committee.

**Section 6 - Vote on Questions Directed by Member Meetings.** By a majority vote of the members present at any regular or special meeting of the members conducted pursuant to these Bylaws, the Board may be directed to submit any question to the whole membership for a vote by mail ballot.

**Section 7 - 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.

- (a) Report on the number of members present in person in order to determine the existence of a quorum.
- (b) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (d) Presentation and consideration of reports of officers, directors and committees.
- (e) Tellers' report of election of directors and any other balloting.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

**Section 8 - Proxies.** At any meeting of the members or any adjournment thereof, any member may vote by proxy, but only if such proxy: (a) is registered with the Corporation at its principal office during office hours on or before the third business day next preceding the date of the meeting or any adjournment thereof, as the case may be, (b) is executed by the member in writing and designates the holder thereof, which holder shall be the member's spouse, an adult close relative (18 years or older) residing in the same household as the member or another member who is a natural person, and (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than sixty (60) days prior to the date of such meeting or any adjournment thereof: PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; AND PROVIDED FURTHER, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executes two (2) or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or

recognized. The presence in person of a member at a meeting or any adjournment thereof shall revoke any proxy theretofore executed by him for such meeting or for such adjournment thereof, as the case may be, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. No person may vote as proxy for more than three (3) members at any meeting of the members. Notwithstanding the foregoing provisions of this section, whenever a member is absent from a meeting of the members but whose spouse attends such meeting, such spouse shall be deemed to hold, and may exercise and vote, the proxy of such member to the same extent that such member could vote if present in person, unless such member has given a written proxy to some other person eligible to vote such proxy.

Notwithstanding the foregoing provisions of this section, no member shall be entitled to vote by proxy on any question submitted to the members at a members' meeting under Article VIII of these Bylaws.

#### **ARTICLE IV DIRECTORS**

**Section 1 - General Powers.** The business and affairs of the Cooperative shall be managed by a Board of nine (9) directors which shall exercise all 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.

**Section 2 - Election and Tenure of Office.** Each director shall serve for a term of three (3) years. At the time specified herein each year, three (3) directors shall be elected by mail ballot by and from the members to serve for a period of three (3) years or until successors shall have been elected and qualified, the present terms of the directors having been established so that three (3) expire each year. The results of such elections shall be reported at each Annual Meeting of members.

**Section 3 - Qualifications.** No person shall be eligible to become or remain a director of the Cooperative who:

- (a) is not a member in good standing and bona fide permanent resident of the district he represents in the certified territory of ~~area served by the Cooperative;~~ or for at least six months prior to the deadline for filing a petition for candidacy; or
- (b) is in any way employed by or has a financial interest in or is a Board member of a competing enterprise selling electrical energy or supplies to the Cooperative.
- (c) is not at least eighteen (18) years of age upon the filing of a petition for candidacy or who is an employee of the Cooperative, a former employee involuntarily terminated from employment with the Cooperative or is a close relative of an employee of the Cooperative or a sitting director of the Cooperative. A close relative shall include the relationships by blood or marriage of husband, wife, father, mother, son, daughter, brother or sister.

Notwithstanding any of the foregoing provisions of this section treating with close relative relationships, no incumbent director shall lose eligibility to remain a director or to be reelected as a director if he becomes a close relative of another incumbent director or of a Corporation employee because of a marriage to which he was not a party.

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

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

**Section 4 - Filing and Election of Directors.**

- (a) In order to assure broad geographical representation and, at the same time, equitable proportional representation, the territory served or to be served by the Cooperative shall be divided into nine (9) districts, each of which shall contain as nearly as possible the same number of members. Each district shall be represented by one (1) Board member. The nine (9) districts shall be as follows:

District 1 - The area north of the Cumberland River in Livingston County

District 2 - The area south of the Cumberland River in Livingston County.

District 3 - All the Cooperative service area in Marshall County.

District 4 - All of the Cooperative service area in Graves County.

District 5 - Carlisle-Ballard District - All of the Cooperative service area in Carlisle County and that portion of Ballard County lying south of Highway 286 as it exists in the year 1969.

District 6 - Ballard District - All of the Cooperative service area lying north of Highway 286 as it exists in the year 1969.

Districts 7, 8, and 9 as follows - Beginning at the point where Massac Creek flows into the Ohio River, the Massac Creek shall be the boundary line from the Ohio River extending in a southeastern direction to the head of the Massac Creek at the point where State Highway 999, extending south and parallel with U.S. 45, makes a junction with the Krebs Station Road. From this road junction, the boundary line takes the nearest southeastern line [approximately one (1) mile to the head of the Blizzard Bottom Ditch to a point one (1) mile west of the Oaks Road]. The boundary line then shall extend due south to the Graves County line. U.S. 62 and State Highway 286 shall be the boundary line from Massac Creek extending southwest to the Ballard County line.

District 7 - McCracken County Area 1 - Would be that area within the boundaries of Massac Creek on the east, Highway 62 and 286 on the south and Ballard County line on the west and the Ohio River to the north.

District 8 - McCracken County Area 2 - Would be that area within the boundaries of Massac Creek on the northeast and Highway 62 and 286 on the northwest, Ballard County line on the west, Graves County to the south and on the east by the line one (1) mile west of the Oaks Road and the Blizzard Bottom Ditch to the Massac Creek.

District 9 - McCracken County Area 3 - Would be that area bordered by the Marshall County line on the east, the Graves County line on the extreme south, the line one (1) mile west of the Oaks Road along with the Blizzard Bottom Ditch and Massac Creek to the west and on the north and northeast by the Ohio River Paducah area and the Tennessee River.

Not less than sixty (60) days before the deadline for filing a petition for candidacy, the Board shall review the composition of the several districts, and if it finds the best interests of the Corporation and its members will be served thereby, shall reconstitute the districts forthwith.

- (b) **Filing Petition for Election.** Any member qualified under these Bylaws may file as a candidate for one of the three (3) directors elected each year by filing a petition as herein required. The petition shall set forth the name and address of the candidate and the area the candidate seeks to serve. The petition shall be signed by at least fifty (50) voting members of the Cooperative, which signatures shall appear below the following statement: "We, the following members of Jackson Purchase Energy Cooperative, do endorse the candidacy of the foregoing named member for membership on the Board of Directors to serve the district above designated." The petition shall be filed in the month of April. It shall be filed at the office of the Cooperative with the General Manager or his designated representatives. Prior to the month in which the petition is to be filed, the General Manager shall designate at least three (3) employees authorized to receive such petition in his absence. His designation shall be posted in public view. The General Manager or his authorized representative shall give the candidate a receipt noting the time and day of receiving the petition and the same information shall be endorsed on the petition and signed by both the candidate and the General Manager or his designated representative. The General Manager or his authorized representative shall examine the signatures on the petition to determine whether all such signatures or more than fifty (50) of the same are voting members of the Cooperative, and if they are, he or she shall so note in the receipt given to the candidate. After receipt of the petition, the candidate shall be notified of the status of his petition within seven (7) working days.
- (c) **Ballot.** After the time for filing petitions has expired, a ballot containing the name of each candidate shall be prepared by the Cooperative. In the event more than one (1) candidate files for a vacancy, a drawing shall be held on the first working day in the month of May at the hour of 10:00 a.m. (prevailing time) in order to determine the order in which such candidates names shall appear on the ballot. Each candidate, or

his representative, may be present and participate in the drawing. The ballot shall be so prepared that it clearly indicates the three (3) districts from which directors are being elected with the list of candidates appearing under each such district. The ballot shall note that the member should mark his ballot for only one (1) candidate in each district. ~~Any member desiring to vote for a candidate not listed on the ballot may write in the name of any member qualified under these Bylaws, and the ballot shall be so prepared that a space is provided for writing in such a name.~~ The ballot shall not be prepared in any way to make it possible to determine which member voted it. The ballot shall state that in order for it to be valid and counted, it must be deposited in the United States mail in sufficient time for it to be received by the Cooperative prior to 10:00 a.m. (prevailing time) on the day preceding the day set for the Annual Meeting. The ballots shall be numbered consecutively beginning with the number one (1).

- (d) **Election Tellers.** Immediately upon expiration of the time provided for filing candidacy petitions, the Secretary to the Cooperative shall notify each candidate in writing that he is entitled to name one (1) election teller and one (1) alternate election teller. The alternate shall serve in the absence of the teller. Each candidate shall name his teller and alternate by notifying the Secretary by return mail within ten (10) days after receipt of the notice. After each candidate has named his teller and alternate, the Board shall designate the time for the first meeting of tellers. The Board shall name as many election tellers as are necessary to insure that there is always a minimum of twelve (12). ~~but no director shall serve as a teller.~~ All election tellers shall be at least eighteen (18) years of age and shall not be existing Cooperative employees, agents, officers, director, known candidates or close relatives or members of the same household thereof. **At the first meeting of the tellers, a chairman shall be selected.** The Board shall issue an invitation to the Kentucky Farm Bureau to act as monitors and observe the election process.
- (e) **Mailing of Ballots.** **A ballot shall be mailed to each member of the Cooperative holding a voting membership at least fourteen (14) days before the date set for the Annual Meeting.** The mailing of ballots shall be the responsibility of and shall be accomplished under the supervision of the election tellers. A list of all members entitled to a ballot shall be prepared by the Cooperative. The election tellers shall compare the addressed ballots with the list to insure that each member entitled to a ballot is mailed one, and they shall certify the same. The said list shall be available for inspection by any member. All members holding a voting membership as of the day on which ballots are mailed, shall be entitled to receive a ballot. The ballots shall be addressed to the mailing address to which the member's bill is mailed. The accuracy of the United States mail shall be presumed and no member whose name appears on the above list as having received a ballot shall then be given a second ballot.
- (f) **Voting of Ballots and Returning Ballots.** **A self-addressed envelope bearing a postal permit for postage shall be sent each member with the ballot. This return envelope shall be pre-addressed to the election tellers at a post office box in the United States Post Office at Paducah, Kentucky.** A member shall return his ballot in this pre-addressed envelope so that it is deposited in the post office box secured by the election tellers. To be valid all returned ballots shall be deposited in the United



States mail. The inclusion of more than one (1) ballot in one envelope shall not disqualify any such ballots for that reason. The Cooperative shall provide at the office of the Cooperative a secure and locked box or boxes in which the ballots shall be placed. There shall be two (2) locks placed on each box or boxes. Prior to the time ballots are to be returned, the election tellers shall meet and designate two (2) of their number to pick up ballots at the United States Post Office and place them in the box or boxes provided for that purpose. Each of the two (2) tellers so designated shall be given all keys to one (1) of the two (2) locks on each box. Both tellers shall together call at the United States Post Office for the returned ballots. Together they shall directly take the ballots to the Cooperative, each teller using his key to unlock one (1) of the two (2) locks on the box, place the ballots in the box and again lock the box. No ballot shall at any time be opened or tampered with. Any ballots returned to the Cooperative under any circumstances shall be immediately placed in the custody of the tellers committee.

- (g) **Counting Ballots.** The ballots shall be counted on the day preceding the day set for the Annual Meeting. The election tellers shall meet at 9:00 a.m. (prevailing time) on that day for the purpose of counting the ballots. It shall be the responsibility of the Chairman to organize the counting procedure. The two (2) tellers previously designated for the purpose shall immediately check at the United States Post Office to see if there are any ballots in the possession of the Post Office not yet delivered to the Cooperative. When it has been determined that all ballots then in possession of the Post Office have been delivered to the tellers, the tellers shall proceed to count the ballots. No ballot will be picked up at the Post Office after 10:00 a.m. (prevailing time) on the day set for counting of ballots. The two (2) tellers holding the keys to the box or boxes shall open the same in the presence of all tellers.
- (h) **Duties of Election Tellers.** It shall be the duty of the election tellers to see that a ballot is mailed to each member entitled to a ballot, to receive the returned ballots in the envelopes unopened, open the same in the presence of each other and determine the number of votes received by each candidate. As the ballots are counted, the election tellers shall determine the validity of each ballot. Any one (1) election teller may challenge a ballot. A ballot may be disqualified by a majority of all election tellers. A tie vote of election tellers shall fail to disqualify a ballot.

**The following shall not be counted:**

- (1) A vote marked for more than one candidate for any one vacancy;
- (2) Ballots other than the official ballot; and
- (3) Ballots arriving late.

**The following may be counted:**

- (1) Ballots on which the mark is not in the place provided but does show the intention of the voter; and
- (2) Ballots on which there is an erasure or change of intention shown or possible tampering, but the tellers are still able to determine the true intention of the voter.

- (i) **Certification of Results.** The election tellers shall, on a form provided by the General Manager, certify by their signatures the number of votes received by each candidate. The report shall be read to the members by the chairman of the tellers during the business session of the Annual Meeting on the next succeeding day.

**Section 5 - Removal of a Director by Members.** Any member may bring charges for cause against a director and may request removal of such director by reason thereof by filing with the Secretary such charges in writing together with a petition signed by at least ten (10) per centum of the ~~members or five hundred (500), whichever is lesser, may request the removal of such director by reason thereof~~ then-total membership of the Cooperative, which petition calls for a special member meeting, the stated purpose of which shall be to present such charges to the members, and which specifies the place, time and date thereof within not less than forty-five (45) days after the filing of such petition or request that the matter be presented to the members at the next Annual Meeting of the members if the same will be held no sooner than ninety (90) days after such petition is filed. Each page of the petition shall, in the forepart thereof, state the name and address of the member filing such charges, a verbatim statement of such charges and the name of the director against whom such charges are being made. Notice of such charges verbatim, the director against whom the charges have been made and of the member filing the charges shall be contained in or accompany the notice of the meeting to the members not less than ten (10) days prior to the member meeting.

Such director shall be informed in writing of the charges at least twenty (20) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard, in person or by counsel, and present evidence in respect to the charges, and shall be heard last; and the person or persons bringing the charges against him shall have the same opportunity. If approved by a majority vote of the members present at any annual or special meeting, the question of such removal shall be submitted to the members within thirty (30) days following the meeting of the members by sending a ballot to every member setting forth the question of such removal so that it might be answered "yes" or "no", and the ballots shall be returned within ten (10) days after they are mailed. The ballots shall be counted by tellers named by the Board as provided in Article III, Section 5. A director shall be removed by a majority vote of the members voting.

The chairman of the said special or regular meeting shall be a licensed attorney appointed by the attorney to the Board, and the Corporation shall compensate him for his services. A charge that a director has, in a lawful manner, opposed or resisted any effort to sell, transfer, exchange, convey or otherwise dispose of all or a substantial portion of the Corporation's properties and assets or to dissolve the Corporation shall not constitute a "charge for cause" on the basis of which a director may be removed from office under this section. If the question of removal is in the affirmative, the vacancy shall be filed in accordance with Section 6, Article IV of these Bylaws.

**Section 6 - Vacancies.** Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, or vacancies caused by the death or resignation of directors, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining directors with a member who meets the qualifications required under these Bylaws for such director position, and the member so appointed shall serve the unexpired portion of the term of the member who has vacated his position on the Board.

**Section 7 - Compensation.** Directors shall not receive any salary for their services as such, except that the Board may, by resolution, authorize a fixed sum 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. If authorized by the Board, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the director or his close relative shall have been certified by the Board as an emergency measure. The members may, by resolution, fix a maximum sum which the directors may authorize for the payments of attendance fees and expense allowances.

## ARTICLE V MEETING OF DIRECTORS

**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 in McCracken County, Kentucky, as the Board may provide by resolution. Such regular monthly meetings 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 President or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President, or the directors calling the meeting, shall fix the time and place (which shall be in McCracken County, Kentucky) for the holding of the meeting.

**Section 3 - Notice of Director Meetings.** Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each director not less than five (5) days previous thereto either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

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

## ARTICLE VI OFFICERS

**Section 1 - Number.** The officers of the Cooperative shall be a President, Vice-President, 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 shall be elected by 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 conveniently may be. 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 any office shall be filled by the Board for the unexpired portion of the term.

**Section 3 - Removal of Officers and Agents by Directors.** Whenever the Board, for good cause and in its judgment to serve the best interests of the Cooperative, determines that any officer or agent elected or appointed by the Board should be removed, the Board has the power to do so. ~~In addition, any member of the Cooperative for cause may bring charges against an officer and, by filing with the Secretary such charges in writing together with a petition signed by ten (10) per centum or five hundred (500), whichever is lesser of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least twenty (20) days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect to the charges, and the person or persons bringing the charges against him shall have the same opportunity. In the event the Board does not remove such officer, the question of his removal shall be considered at the next meeting of the members and shall be submitted to the members by mail ballot at the direction of the members at such meeting.~~

**Section 4 - President.** The President shall:

- (a) be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the Board, shall preside at all meetings of the members and the Board;
- (b) sign, with the Secretary, certificates of membership, the issue of which 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 President and such other duties as may be prescribed by the Board from time to time.

**Section 5 - 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. The Vice-

President shall also perform such other duties from time to time as may be assigned to him by the Board.

**Section 6 - Secretary.** The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to the issue thereof, and 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, with the President, 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 the inspection of any member) and at the expense of the Cooperative, a copy of the Bylaws and of all 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 from time to time may be assigned to him by the Board.

**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) in general, performance of all duties as from time to time may be assigned to him by the Board.

**Section 8 - Manager.** The Board may appoint a Manager who may be, but who shall not be required to be, a member of the Cooperative. The Manager shall perform such duties and shall exercise such authority as the Board may from time to time vest in him.

**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 and with such surety as the Board shall determine. The Board, in its discretion, may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

**Section 10 - Compensation.** The powers, duties and compensation of officers, agents and employees shall be fixed by the Board subject to the provisions of these Bylaws with respect to compensation for directors and close relatives of directors.

**Section 11 - Reports.** The officers of the Cooperative shall submit at each Annual Meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

**Section 12 - Delegation of Secretary's and Treasurer's Responsibilities.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6 and 7, the Board by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one (1) or more agents, other officers or employees of the Corporation 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.

## **ARTICLE VII NON-PROFIT OPERATION**

**Section 1 - Interest or Dividends on Capital Prohibited.** The Cooperative shall, at all times, be operated on a Cooperative nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

**Section 2 - Patronage Capital in Connection with Furnishing Electric Energy.** In the furnishing of energy, the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, as capital. The Cooperative 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 the Cooperative shall be set up and kept in such a manner that, at the end of each fiscal year, the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron., ~~and the Cooperative shall,~~ Each patron shall have the right, ~~within a reasonable time after the close of the fiscal year, notify each patron~~ to request a disclosure of the amount of capital so credited to his account. The Cooperative shall respond to such a request within ten (10) working days from the date of the request or as promptly thereafter as possible.

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 a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be:

- (a) used to offset any losses incurred during the current or any prior fiscal year; and

- (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro-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 then credited to patrons' 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 the Cooperative being first retired.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor, and only to successors in interest or successors in occupancy, in all or a part of such patron's premises served by the Cooperative unless the Board acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the Board, 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, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The Corporation, before retiring any capital credited to any patron's account, shall deduct therefrom any delinquent amount owing by such patron to the Corporation, together with interest thereon at the legal rate of judgments in effect when such amount became overdue, compounded annually.

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

(1) Not inconsistently with the provisions of KRS 279.140 and subsection (2), the Cooperative ~~may~~ shall not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its properties and assets unless such sale, mortgage, lease or other disposition or encumbrance is authorized by a majority of the then-total ~~the affirmative vote of not less than two-thirds (2/3) of all the~~ members of the Cooperative, cast in person, at a duly held meeting of

the members. No member shall be entitled to vote by proxy on any question submitted to the members under this Article. ~~voting by mail ballot as set forth in Article III, Section 5 of these Bylaws; and provided, however, that~~

Notwithstanding anything herein contained, the Board, without authorization of the members thereof, shall have full power and authority to:

- (a) Sell or otherwise dispose of:
  1. Property which, in the judgment of the Board, neither is nor will be necessary or useful in maintaining the Cooperative's system and facilities; provided, however, that all sales of such property shall not in any one (1) year exceed in value ten (10) per centum of the value of all of the property of the Cooperative (value shall be defined as the total utility plant value);
  2. Services of all kinds, including electric energy;
  3. Personal property acquired for resale; and
  4. ~~Merchandise~~ Properties and assets sold in the ordinary course of business.
  
- (b) Authorize the execution and delivery of a mortgage or mortgages or a deed of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof or any other agency where mortgage arrangements can be accommodated and approved by the Rural Utilities Service; provided further that the Board may upon the affirmative vote of a majority of members voting by mail ballot as set forth in Article III, Section 5, of these Bylaws, sell, lease or otherwise dispose of all or a substantial portion of its properties and assets to another Cooperative or foreign corporation doing business in this State pursuant to the act under which this Cooperative is incorporated.

(2) Supplementary to the first sentence of the foregoing subsection (1) and any other applicable provisions of law or these Bylaws, no sale, mortgage, lease or other disposition of all or any substantial portion of the Corporation's properties and assets ("transactions") shall be authorized except in conformity with the following:

- (a) If the Board looks with favor upon any proposal for any such transaction, it shall first appoint three (3) persons, each of whom is independent of the Corporation and of the other two (2) and is expert in electric utility property evaluations, and commission them separately to study, appraise and evaluate such assets and properties, including their going concern value and the values associated with the rights of the members to participate in the ownership and control of the Corporation. Such appraisers shall be instructed to, and shall take into account, any other factors they may deem relevant in determining the present market value of such assets and properties. Within not more than sixty (60) days after their appointment and commission, each appraiser shall render his highest determination of such present value. The Board shall not recommend and submit any proposal it shall have received for such a transaction, or



make any offer of such a transaction for a consideration that is less than the highest such determination rendered by the appraisers; nor shall it, following the expiration of one (1) year thereafter, make such a recommendation or offer without, again, first complying with the foregoing appraisal requirements.

- (b) If, after receiving such appraisals, the Board resolves to pursue the matter further, it shall, within sixty (60) days after adoption of such resolution, transmit the appraisals, together with any underlying data and information that may have accompanied them, to every other electric membership corporation and electric utility corporately sited and operating in Kentucky and invite it to submit competing or alternative proposals, including proposals to merge or consolidate with the Corporation. Such appraisals shall also be accompanied by any proposal for such a transaction received by the Corporation; PROVIDED, only the most recent proposal from an entity that has made two (2) or more proposals need be so transmitted. Such other electric membership corporations shall be given at least sixty (60) days within which to submit competing or alternative proposals, and they shall be notified in such transmittal of the actual final date for such submissions.
- (c) If, after such date, the Board so resolves, it shall recommend and submit to the members: [1] a proposal for such a transaction, or [2] a proposal to merge or consolidate the Corporation with one (1) or more other electric membership corporations. The Board may recommend and submit two (2) or more such proposals in the alternative, in which case it shall specify its preference as to which shall be approved by the members -- that is, first choice, second choice, etc. -- and the order in which such alternatives will be considered and acted upon at the meeting. The Board shall accompany its recommended proposal(s) with verbatim copies of all competing or alternative proposals it has received, together with all of the appraisals and any underlying data and information that may have accompanied such appraisals. The Board shall submit such recommendation and information to the members and shall at the same time call and give notice of a special meeting of the members thereon or, if it so determines, notify the members that the matter will be considered and acted upon at the ensuing annual member meeting, in either case, stating in detail each of any such proposals. The special or annual meeting shall be held not sooner than ninety (90) days after the giving of such notice thereof.
- (d) Ten (10) per centum of the then-total membership of the Corporation may, over their respective signatures and within not less than forty-five (45) days prior to the date of such member meeting, petition the Corporation to mail to all of the Corporation's members any statement of opposition to the Board's recommendation and/or of their own recommendation that a competing or alternative proposal, which may be or include a proposition to merge or consolidate the Corporation with one (1) or more other electric membership corporations, be submitted to and acted upon by the members at such meeting, in which event, the Board shall cause a printed copy of the petition, including the printing of the names of the member signatories thereof, together with a printed copy of the statement, to be transmitted to all of the Corporation's members via the United States mail not less than twenty-five (25) days prior to such member meeting, with the cost of such printing and mailing to be borne by the Corporation. When so mailed, such petition and statement shall constitute

sufficient notice of any such competing or alternative proposal for the same to be considered and acted upon at such meeting. The meeting shall first consider and act upon the recommendation(s) of the Board. If two (2) or more alternative such recommendations have been made by the Board, they shall be considered and acted upon in the order specified by the Board. If the members fail to approve any Board-recommended proposal, they shall then consider and act upon the competing, alternative proposal(s) which have, by petition, been submitted by the members in the order in which they were received, if two (2) or more such proposals have been submitted, or in the order of priority specified in a petition. The members may take such action on such proposal(s) as may be legally availing to them.

(3) No offer of such a transaction, whether made to or by the Board, shall be valid or, if made and accepted, enforceable unless the total consideration to be paid or otherwise furnished therefor, to the extent that the same is in excess of the amounts necessary to discharge, or to provide for the discharge of, all of the Corporation's debts, obligations and liabilities, shall be distributed to or, if such be the case, allocated and assigned to the patrons or former patrons of the Corporation in the manner provided for in the Articles of Incorporation, Bylaws or applicable law.

#### **ARTICLE IX SEAL**

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

#### **ARTICLE X FINANCIAL TRANSACTIONS**

**Section 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, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative, shall be signed and 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 received by 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 ~~Electrification Administration~~ of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

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

**Section 6 - Indemnification of Officers, Directors, 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, employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, employee or agent of another Cooperative, association, partnership, joint venture, trust or other enterprise, against expenses (including all costs of defense), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative and, with respect to any criminal action or proceeding, had not reasonable cause to believe the conduct of such person was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

To the extent that a director, officer, 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 reasonably incurred by such person in connection therewith.

The indemnity herein provided shall be coextensive with those authorized under Kentucky Revised Statute ~~Chapter [271A.026]~~ Chapter 271B and shall be effective in accordance with all of the terms and conditions of such statute.

The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, employee or agent of another Cooperative, association, 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 XI MISCELLANEOUS

**Section 1 - Membership in Other Organizations.** The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members by mail ballot as set forth in Article III, Section 5 of these Bylaws upon such proposed membership or stock purchase; provided, however, that the Cooperative may, upon the authorization of the Board, purchase stock in or become a member of any corporation or organization organized on a

nonprofit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of RUSEA, of any other corporation for the purpose of acquiring electric facilities.

**Section 2 - Waiver of Notice.** Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director except in case a member or director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

**Section 3 - 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 4 - Accounting System 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 ~~Electrification Association~~ 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 5 - 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 reasonable requirements established by the Cooperative as a condition of such service.

## ARTICLE XII AMENDMENTS

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds ( $\frac{2}{3}$ ) of all of the directors at any regular or special meeting, provided a notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. In the event the Board finds a need for alteration, amendment or repealing of Articles II, III, IV, VII, VIII, XI or XII of the Bylaws, such proposed alteration, amendment or repeal shall first be submitted to the members by mail ballot for their approval or disapproval of the proposed action of the Board. Upon receipt of the vote of the membership with respect to such proposal and notwithstanding the result of the same, the Board, at any regular or special meeting, may then by an affirmative vote of not less than two-thirds ( $\frac{2}{3}$ ) of the directors thereof adopt the said proposed alteration, amendment or repeal provided the notice of such meeting shall have contained the proposed alteration, amendment, or repeal.

## STATEMENT OF NONDISCRIMINATION

Jackson Purchase Electric Cooperative Corporation has filed with the Federal Government a Compliance Assurance in which it assures the Rural Utilities Service ~~Electrification Administration~~ that it will comply fully with all requirements of Title VI of the Civil Rights Act of 1964 and the Rules and Regulations of the Department of Agriculture issued thereunder, to the end that no person in the United States shall, on the grounds of race, color or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program and the operation of its facilities. Under this Assurance, this organization is committed not to discriminate against any person on the grounds of race, color or national origin in its policies and practices relating to applications for service or any other policies and practices relating to treatment of beneficiaries and participants, including rates, conditions and extension of service, use of any of its facilities, attendance at and participation in any meetings of beneficiaries and participants or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of this organization.

"Any person who believes himself, or any specific class of individuals, to be subjected by this organization to discrimination prohibited by Title VI of the Act and the Rules and Regulations issued thereunder may, by himself or a representative, file with the Secretary of Agriculture, Washington, D.C. 20250, or the Rural Utilities Service, ~~Electrification Administration~~, Washington, D.C. 20250, or this organization, or all, a written complaint. Such complaint must be filed not later than one hundred eighty (180) days after the alleged discrimination, or by such later date to which the Secretary of Agriculture or the Rural Utilities Service ~~Electrification Administration~~ extends the time for filing. Identity of complaints will be kept confidential except to the extent necessary to carry out the purposes of the Rules and Regulations."

# BYLAWS

## as of 1990

JACKSON PURCHASE  
ELECTRIC COOPERATIVE  
CORPORATION

(1983-84)  
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*ADOPTED 1983 - 1984*

## BYLAWS (as of 1990)

### ARTICLE I MEMBERSHIP

**Section 1 - Requirements for Membership.** Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of Jackson Purchase Electric Cooperative Corporation (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he or it has first:

- (a) made a written application for membership therein;
- (b) agreed to purchase from the Cooperative electric energy as hereinafter specified;
- (c) agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors (hereinafter called the "Board"); and
- (d) paid the membership fee hereinafter specified.

Provided, however, that all applications for membership shall be automatically accepted, unless the Board determines that the applicant is unable or unwilling to meet all related terms and conditions of service, or that the application should be rejected for good cause. No member may hold more than one (1) voting membership in the Cooperative, and no membership in the Cooperative shall be transferable except as provided in these Bylaws.

**Section 2 - Types of Membership and Certificates Therefor.** 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. There shall be two (2) types of membership, a voting membership and a non-voting membership. A voting membership certificate shall be issued for the first and only service connection received by a member. A non-voting membership certificate shall be issued for each additional service connection received by the same member. Each such certificate shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. Neither such membership certificate shall be issued for less than the membership fee fixed in Section 5 of this Article, nor until such membership fee has been fully paid for. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board may prescribe. The words "same member" as used above includes a husband and his wife so that upon the receipt of a service connection by either one of them, all additional service connections received by either or both of them shall entitle either or both to receive only a non-voting membership.

**Section 3 - Joint Membership.** A husband and wife may apply for a joint voting or non-voting membership and subject to their compliance with the requirements set forth in Sections 1 and 2 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include a husband and wife holding a joint membership and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of the joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;

- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either, but not both, may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

#### **Section 4 - Conversion of Membership**

- (a) Either membership may be converted to a joint membership upon the request of the holder thereof and the agreement by such holder and his or her spouse to comply with Articles of Incorporation, Bylaws and rules and regulations adopted by the Board.
- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor; provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

**Section 5 - Membership and Service Connection Fees.** The membership fee shall be fifteen (\$15.00) dollars upon the payment of which a member shall be eligible for one service connection. A service connection fee of \$15.00 shall be charged for each additional service connection, and a non-voting membership certificate shall be issued for each such additional 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 used on the premises specified in his application for membership, and shall pay therefor at rates which shall from time to time be fixed by the Board. 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 such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be subject to appropriate regulations, as shall be fixed from time to time by the Cooperative. A member shall make available to the Cooperative a suitable site for the placement of the Cooperative's physical facilities for the furnishing and metering of electric service and will be required to permit the access by the Cooperative's authorized agents, etc.

#### **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, by the affirmative vote of not less than two-thirds of all the directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules and regulations adopted by the Board, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board. The membership of a member who for a period of six (6) months after service

is available to him, has not purchased electric energy from the Cooperative, 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 membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- (c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the member to the Cooperative.

## ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

### **Section 1 - Property Interest of Members.**

Upon dissolution, after

- (a) all debts and liabilities of the Cooperative shall have been paid; and
- (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten (10) years next preceding the date of the filing of the certificate of dissolution.

**Section 2 - Non-liability for Debts of the Cooperative.** The private property of the members shall be exempt from either execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

## ARTICLE III MEETINGS OF MEMBERS

**Section 1 - Annual Meeting.** The Annual Meeting of the members shall be held during the months of June, July or August of each year at such place within a 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 receiving reports for the previous fiscal year and discussing such other matters 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 the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

**Section 2 - Special Meetings.** Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any three (3) directors, by the President, or by ten (10) per centum 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. Special meetings of the members may be held at

any place within one (1) of the counties served by the Cooperative as designated by the Board and shall be specified in the notice of the special meeting.

**Section 3 - Notice of Members' Meetings.** Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual 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 (10) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at 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.** As long as the total number of members does not exceed five hundred (500), ten (10) per centum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed one thousand (1,000), one hundred fifty (150) 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 from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

**Section 5 - Business to be Voted Upon by Members and Voting Thereon.** The transaction of all business of the Cooperative requiring a vote of the membership shall be transacted by a mail ballot. Each member holding a voting membership shall be entitled to only one (1) vote upon each matter submitted to a vote of the members. All questions shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by law, the Articles of Incorporation or these Bylaws. On all questions other than the election of directors, the Board shall designate five (5) members other than directors or employees who shall constitute a tellers committee responsible for counting the ballots received when submitting such a question nor shall anyone having a conflict of interest with the question being raised serve as a teller or receive compensation therefor.

The Cooperative shall provide a self-addressed envelope postage prepaid for the purpose of returning the ballot. The ballot, when received by the Cooperative, shall be placed in the box or boxes provided by the Cooperative for holding director ballots. The box or boxes shall be locked and the key or keys delivered to the tellers committee at such time as the committee shall determine. The result shall be certified to the Board by the tellers committee.

**Section 6 - Vote on Questions Directed by Member Meetings.** By a majority vote of the members present at any regular or special meeting of the members conducted pursuant to these Bylaws, the Board may be directed to submit any question to the whole membership for a vote by mail ballot.

**Section 7 - 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, may be essentially as follows, except as otherwise determined by the members at such meeting.

- (a) Report on the number of members present in person in order to determine the existence of a quorum.

- (b) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (d) Presentation and consideration of reports of officers, directors and committees.
- (e) Tellers' report of election of directors and any other balloting.
- (f) Unfinished business.
- (g) New business.
- (h) Adjournment.

## **ARTICLE IV DIRECTORS**

**Section 1 - General Powers.** The business and affairs of the Cooperative shall be managed by a Board of nine (9) directors which shall exercise all 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.

**Section 2 - Election and Tenure of Office.** Each director shall serve for a term of three (3) years. At the time specified herein each year, three (3) directors shall be elected by mail ballot by and from the members to serve for a period of three (3) years or until successors shall have been elected and qualified, the present terms of the directors having been established so that three (3) expire each year. The results of such elections shall be reported at each Annual Meeting of members.

**Section 3 - Qualifications.** No person shall be eligible to become or remain a director of the Cooperative who:

- (a) is not a member and bona fide resident of the district he represents in the area served by the Cooperative; or
- (b) is in any way employed by or a board member of a competing enterprise selling electrical energy or supplies to the Cooperative.

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

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

### **Section 4 - Filing and Election of Directors.**

- (a) In order to assure broad geographical representation and, at the same time, equitable proportional representation, the territory served or to be served by the Cooperative shall be divided into nine (9) districts, each of which shall contain as nearly as possible the same number of members. Each district shall be represented by one (1) Board member. The nine (9) districts shall be as follows:

District 1 - The area north of the Cumberland River in Livingston County

District 2 - The area south of the Cumberland River in Livingston County.

District 3 - All the Cooperative service area in Marshall County.

District 4 - All of the Cooperative service area in Graves County.

District 5 - Carlisle-Ballard District - All of the Cooperative service area in Carlisle County and that portion of Ballard County lying south of Highway 286 as it exists in the year 1969.

District 6 - Ballard District - All of the Cooperative service area lying north of Highway 286 as it exists in the year 1969.

Districts 7, 8, and 9 as follows - Beginning at the point where Massac Creek flows into the Ohio River, the Massac Creek shall be the boundary line from the Ohio River extending in a southeastern direction to the head of the Massac Creek at the point where State Highway 999, extending south and parallel with U.S. 45, makes a junction with the Krebs Station Road. From this road junction, the boundary line takes the nearest southeastern line [approximately one (1) mile to the head of the Blizzard Bottom Ditch to a point one (1) mile west of the Oaks Road]. The boundary line then shall extend due south to the Graves County line. U.S. 62 and State Highway 286 shall be the boundary line from Massac Creek extending southwest to the Ballard County line.

District 7 - McCracken County Area 1 - Would be that area within the boundaries of Massac Creek on the east, Highway 62 and 286 on the south and Ballard County line on the west and the Ohio River to the north.

District 8 - McCracken County Area 2 - Would be that area within the boundaries of Massac Creek on the northeast and Highway 62 and 286 on the northwest, Ballard County line on the west, Graves County to the south and on the east by the line one (1) mile west of the Oaks Road and the Blizzard Bottom Ditch to the Massac Creek.

District 9 - McCracken County Area 3 - Would be that area bordered by the Marshall County line on the east, the Graves County line on the extreme south, the line one (1) mile west of the Oaks Road along with the Blizzard Bottom Ditch and Massac Creek to the west and on the north and northeast by the Ohio River Paducah area and the Tennessee River.

- (b) **Filing Petition for Election.** Any member qualified under these Bylaws may file as a candidate for one of the three (3) directors elected each year by filing a petition as herein required. The petition shall set forth the name and address of the candidate and the area the candidate seeks to serve. The petition shall be signed by at least fifty (50) voting members

of the Cooperative, which signatures shall appear below the following statement: "We, the following members of Jackson Purchase Energy Cooperative, do endorse the candidacy of the foregoing named member for membership on the Board of Directors to serve the district above designated." The petition shall be filed in the month of April. It shall be filed at the office of the Cooperative with the General Manager or his designated representatives. Prior to the month in which the petition is to be filed, the General Manager shall designate at least three (3) employees authorized to receive such petition in his absence. His designation shall be posted in public view. The General Manager or his authorized representative shall give the candidate a receipt noting the time and day of receiving the petition and the same information shall be endorsed on the petition and signed by both the candidate and the General Manager or his designated representative. The General Manager or his authorized representative shall examine the signatures on the petition to determine whether all such signatures or more than fifty (50) of the same are voting members of the Cooperative, and if they are, he or she shall so note in the receipt given to the candidate. After receipt of the petition, the candidate shall be notified of the status of his petition within seven (7) working days.

- (c) **Ballot.** After the time for filing petitions has expired, a ballot containing the name of each candidate shall be prepared by the Cooperative. In the event more than one (1) candidate files for a vacancy, a drawing shall be held on the first working day in the month of May at the hour of 10:00 a.m. (prevailing time) in order to determine the order in which such candidates names shall appear on the ballot. Each candidate, or his representative, may be present and participate in the drawing. The ballot shall be so prepared that it clearly indicates the three (3) districts from which directors are being elected with the list of candidates appearing under each such district. The ballot shall note that the member should mark his ballot for only one (1) candidate in each district. Any member desiring to vote for a candidate not listed on the ballot may write in the name of any member qualified under these Bylaws, and the ballot shall be so prepared that a space is provided for writing in such a name. The ballot shall not be prepared in any way to make it possible to determine which member voted it. The ballot shall state that in order for it to be valid and counted, it must be deposited in the United States mail in sufficient time for it to be received by the Cooperative prior to 10:00 a.m. (prevailing time) on the day preceding the day set for the Annual Meeting. The ballots shall be numbered consecutively beginning with the number one (1).
- (d) **Election Tellers.** Immediately upon expiration of the time provided for filing candidacy petitions, the Secretary to the Cooperative shall notify each candidate in writing that he is entitled to name one (1) election teller and one (1) alternate election teller. The alternate shall serve in the absence of the teller. Each candidate shall name his teller and alternate by notifying the Secretary by return mail within ten (10) days after receipt of the notice. After each candidate has named his teller and alternate, the Board shall designate the time for the first meeting of tellers. The Board shall name as many election tellers as are necessary to insure that there is always a minimum of twelve (12), but no director shall serve as a teller. At the first meeting of the tellers, a chairman shall be selected. The Board shall issue an invitation to the Kentucky Farm Bureau to act as monitors and observe the election process.



- (e) **Mailing of Ballots.** A ballot shall be mailed to each member of the Cooperative holding a voting membership at least fourteen (14) days before the date set for the Annual Meeting. The mailing of ballots shall be the responsibility of and shall be accomplished under the supervision of the election tellers. A list of all members entitled to a ballot shall be prepared by the Cooperative. The election tellers shall compare the addressed ballots with the list to insure that each member entitled to a ballot is mailed one, and they shall certify the same. The said list shall be available for inspection by any member. All members holding a voting membership as of the day on which ballots are mailed, shall be entitled to receive a ballot. The ballots shall be addressed to the mailing address to which the member's bill is mailed. The accuracy of the United States mail shall be presumed and no member whose name appears on the above list as having received a ballot shall then be given a second ballot.
- (f) **Voting of Ballots and Returning Ballots.** A self-addressed envelope bearing a postal permit for postage shall be sent each member with the ballot. This return envelope shall be pre-addressed to the election tellers at a post office box in the United States Post Office at Paducah, Kentucky. A member shall return his ballot in this pre-addressed envelope so that it is deposited in the post office box secured by the election tellers. To be valid all returned ballots shall be deposited in the United States mail. The inclusion of more than one (1) ballot in one envelope shall not disqualify any such ballots for that reason. The Cooperative shall provide at the office of the Cooperative a secure and locked box or boxes in which the ballots shall be placed. There shall be two (2) locks placed on each box or boxes. Prior to the time ballots are to be returned, the election tellers shall meet and designate two (2) of their number to pick up ballots at the United States Post Office and place them in the box or boxes provided for that purpose. Each of the two (2) tellers so designated shall be given all keys to one (1) of the two (2) locks on each box. Both tellers shall together call at the United States Post Office for the returned ballots. Together they shall directly take the ballots to the Cooperative, each teller using his key to unlock one (1) of the two (2) locks on the box, place the ballots in the box and again lock the box. No ballot shall at any time be opened or tampered with. Any ballots returned to the Cooperative under any circumstances shall be immediately placed in the custody of the tellers committee.
- (g) **Counting Ballots.** The ballots shall be counted on the day preceding the day set for the Annual Meeting. The election tellers shall meet at 9:00 a.m. (prevailing time) on that day for the purpose of counting the ballots. It shall be the responsibility of the Chairman to organize the counting procedure. The two (2) tellers previously designated for the purpose shall immediately check at the United States Post Office to see if there are any ballots in the possession of the Post Office not yet delivered to the Cooperative. When it has been determined that all ballots then in possession of the Post Office have been delivered to the tellers, the tellers shall proceed to count the ballots. No ballot will be picked up at the Post Office after 10:00 a.m. (prevailing time) on the day set for counting of ballots. The two (2) tellers holding the keys to the box or boxes shall open the same in the presence of all tellers.
- (h) **Duties of Election Tellers.** It shall be the duty of the election tellers to see that a ballot is mailed to each member entitled to a ballot, to receive the returned ballots in the envelopes unopened, open the same in the presence of each other and determine the number of votes

received by each candidate. As the ballots are counted, the election teller shall determine the validity of each ballot. Any one (1) election teller may challenge a ballot. A ballot may be disqualified by a majority of all election tellers. A tie vote of election tellers shall fail to disqualify a ballot.

**The following shall not be counted:**

- (1) A vote marked for more than one candidate for any one vacancy;
- (2) Ballots other than the official ballot; and
- (3) Ballots arriving late.

**The following may be counted:**

- (1) Ballots on which the mark is not in the place provided but does show the intention of the voter; and
  - (2) Ballots on which there is an erasure or change of intention shown or possible tampering, but the tellers are still able to determine the true intention of the voter.
- (i) **Certification of Results.** The election tellers shall, on a form provided by the General Manager, certify by their signatures the number of votes received by each candidate. The report shall be read to the members by the chairman of the tellers during the business session of the Annual Meeting on the next succeeding day.

**Section 5 - Removal of a Director by Members.** Any member may bring charges for cause against a director and by filing with the Secretary such charges in writing together with a petition signed by at least ten (10) per centum of the members or five hundred (500), whichever is lesser, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least twenty (20) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard, in person or by counsel, and present evidence in respect to the charges, and the person or persons bringing the charges against him shall have the same opportunity. By a majority vote of the members present at any annual or special meeting, the question of such removal shall be submitted to the members within thirty (30) days following the meeting of the members by sending a ballot to every member setting forth the question of such removal so that it might be answered "yes" or "no", and the ballots shall be returned within ten (10) days after they are mailed. The ballots shall be counted by tellers named by the Board as provided in Article III, Section 5. A director shall be removed by a majority vote of the members voting. If the question of removal is in the affirmative, the vacancy shall be filled in accordance with Section 6, Article IV of these Bylaws.

**Section 6 - Vacancies.** Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, or vacancies caused by the death or resignation of directors, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining directors with a member who meets the qualifications required under these Bylaws for such director position, and the member so appointed shall serve the unexpired portion of the term of the member who has vacated his position on the Board.

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**Section 7 - Compensation.** Directors shall not receive any salary for their services as such, except that the Board may, by resolution, authorize a fixed sum 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. If authorized by the Board, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the director or his close relative shall have been certified by the Board as an emergency measure. The members may, by resolution, fix a maximum sum which the directors may authorize for the payments of attendance fees and expense allowances.

## ARTICLE V MEETING OF DIRECTORS

**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 in McCracken County, Kentucky, as the Board may provide by resolution. Such regular monthly meetings 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 President or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President, or the directors calling the meeting, shall fix the time and place (which shall be in McCracken County, Kentucky) for the holding of the meeting.

**Section 3 - Notice of Director Meetings.** Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each director not less than five (5) days previous thereto either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

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

## ARTICLE VI OFFICERS

**Section 1 - Number.** The officers of the Cooperative shall be a President, Vice-President, 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 shall be elected by 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 conveniently may be. 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 any office shall be filled by the Board for the unexpired portion of the term.

**Section 3 - Removal of Officers and Agents by Directors.** Whenever the Board, for good cause and in its judgment to serve the best interests of the Cooperative, determines that any officer or agent elected or appointed by the Board should be removed, the Board has the power to do so. In addition, any member of the Cooperative for cause may bring charges against an officer and, by filing with the Secretary such charges in writing together with a petition signed by ten (10) per centum or five hundred (500), whichever is lesser of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least twenty (20) days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect to the charges, and the person or persons bringing the charges against him shall have the same opportunity. In the event the Board does not remove such officer, the question of his removal shall be considered at the next meeting of the members and shall be submitted to the members by mail ballot at the direction of the members at such meeting.

**Section 4 - President.** The President shall:

- (a) be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the Board, shall preside at all meetings of the members and the Board;
- (b) sign, with the Secretary, certificates of membership, the issue of which 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 President and such other duties as may be prescribed by the Board from time to time.

**Section 5 - 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. The Vice-President shall also perform such other duties from time to time as may be assigned to him by the Board.

**Section 6 - Secretary.** The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to the issue

- thereof, and 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, with the President, 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 the inspection of any member) and at the expense of the Cooperative, a copy of the Bylaws and of all 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 from time to time may be assigned to him by the Board.

**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) in general, performance of all duties as from time to time may be assigned to him by the Board.

**Section 8 - Manager.** The Board may appoint a Manager who may be, but who shall not be required to be, a member of the Cooperative. The Manager shall perform such duties and shall exercise such authority as the Board may from time to time vest in him.

**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 and with such surety as the Board shall determine. The Board, in its discretion, may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

**Section 10 - Compensation.** The powers, duties and compensation of officers, agents and employees shall be fixed by the Board subject to the provisions of these Bylaws with respect to compensation for directors and close relatives of directors.

**Section 11 - 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 Dividends on Capital Prohibited.** The Cooperative shall, at all times, be operated on a Cooperative nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

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**Section 2 - Patronage Capital in Connection with Furnishing Electric Energy.** In the furnishing of energy, the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, as capital. The Cooperative 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 the Cooperative shall be set up and kept in such a manner that, at the end of each fiscal year, the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative 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 a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be:

- (a) used to offset any losses incurred during the current or any prior fiscal year; and
- (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro-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 then credited to patrons' 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 the Cooperative being first retired.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor, and only to successors in interest or successors in occupancy, in all or a part of such patron's premises served by the Cooperative unless the Board acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the Board, 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, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of 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 not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized by the affirmative vote of not less than two-thirds ( $\frac{2}{3}$ ) of all the members of the Cooperative voting by mail ballot as set forth in Article III, Section 5 of these Bylaws; and provided, however, that notwithstanding anything herein contained, the Board, without authorization of the members thereof, shall have full power and authority to:

(a) Sell or otherwise dispose of:

1. Property which, in the judgment of the Board, neither is nor will be necessary or useful in maintaining the Cooperative's system and facilities; provided, however, that all sales of such property shall not in any one (1) year exceed in value ten (10) per centum of the value of all of the property of the Cooperative;
2. Services of all kinds, including electric energy;
3. Personal property acquired for resale; and
4. Merchandise.

(b) Authorize the execution and delivery of a mortgage or mortgages or a deed of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof; provided further that the Board may upon the affirmative vote of a majority of members voting by mail ballot as set forth in Article III, Section 5, of these Bylaws, sell, lease or otherwise dispose of all or a substantial portion of its property to another Cooperative or foreign corporation doing business in this State pursuant to the act under which this Cooperative is incorporated.

### **ARTICLE IX SEAL**

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

## ARTICLE X FINANCIAL TRANSACTIONS

**Section 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, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative, shall be signed and 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 received by 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 Electrification Administration of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

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

**Section 6 - Indemnification of Officers, Directors, 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, employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, employee or agent of another Cooperative, association, partnership, joint venture, trust or other enterprise, against expenses (including all costs of defense), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative and, with respect to any criminal action or proceeding, had not reasonable cause to believe the conduct of such person was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

To the extent that a director, officer, 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 reasonably incurred by such person in connection therewith.



The indemnity herein provided shall be coextensive with those authorized under Kentucky Revised Statute Chapter [271A.026] Chapter 271B and shall be effective in accordance with all of the terms and conditions of such statute.

The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, employee or agent of another Cooperative, association, 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 these Bylaws.

## ARTICLE XI MISCELLANEOUS

**Section 1 - Membership in Other Organizations.** The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members by mail ballot as set forth in Article III, Section 5 of these Bylaws upon such proposed membership or stock purchase; provided, however, that the Cooperative may, upon the authorization of the Board, purchase stock in or become a member of any corporation or organization organized on a nonprofit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of REA, of any other corporation for the purpose of acquiring electric facilities.

**Section 2 - Waiver of Notice.** Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director except in case a member or director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

**Section 3 - 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 4 - Accounting System 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 Electrification Association 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 5 - 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 reasonable requirements established by the Cooperative as a condition of such service.

## **ARTICLE XII AMENDMENTS**

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds ( $\frac{2}{3}$ ) of all of the directors at any regular or special meeting, provided a notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. In the event the Board finds a need for alteration, amendment or repealing of Articles II, III, IV, VII, VIII, XI or XII of the Bylaws, such proposed alteration, amendment or repeal shall first be submitted to the members by mail ballot for their approval or disapproval of the proposed action of the Board. Upon receipt of the vote of the membership with respect to such proposal and notwithstanding the result of the same, the Board, at any regular or special meeting, may then by an affirmative vote of not less than two-thirds ( $\frac{2}{3}$ ) of the directors thereof adopt the said proposed alteration, amendment or repeal provided the notice of such meeting shall have contained the proposed alteration, amendment, or repeal.

### **STATEMENT OF NONDISCRIMINATION**

Jackson Purchase Electric Cooperative has filed with the Federal Government a Compliance Assurance in which it assures the Rural Electrification Administration that it will comply fully with all requirements of Title VI of the Civil Rights Act of 1964 and the Rules and Regulations of the Department of Agriculture issued thereunder, to the end that no person in the United States shall, on the grounds of race, color or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program and the operation of its facilities. Under this Assurance, this organization is committed not to discriminate against any person on the grounds of race, color or national origin in its policies and practices relating to applications for service or any other policies and practices relating to treatment of beneficiaries and participants, including rates, conditions and extension of service, use of any of its facilities, attendance at and participation in any meetings of beneficiaries and participants or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of this organization.

"Any person who believes himself, or any specific class of individuals, to be subjected by this organization to discrimination prohibited by Title VI of the Act and the Rules and Regulations issued thereunder may, by himself or a representative, file with the Secretary of Agriculture, Washington, D.C. 20250, or the Rural Electrification Administration, Washington, D.C. 20250, or this organization, or all, a written complaint. Such complaint must be filed not later than one hundred eighty (180) days after the alleged discrimination, or by such later date to which the Secretary of Agriculture or the Rural Electrification Administration extends the time for filing. Identity of complaints will be kept confidential except to the extent necessary to carry out the purposes of the Rules and Regulations."



**Exhibit W**

**Capital Construction Budgets  
2006 and 2007**

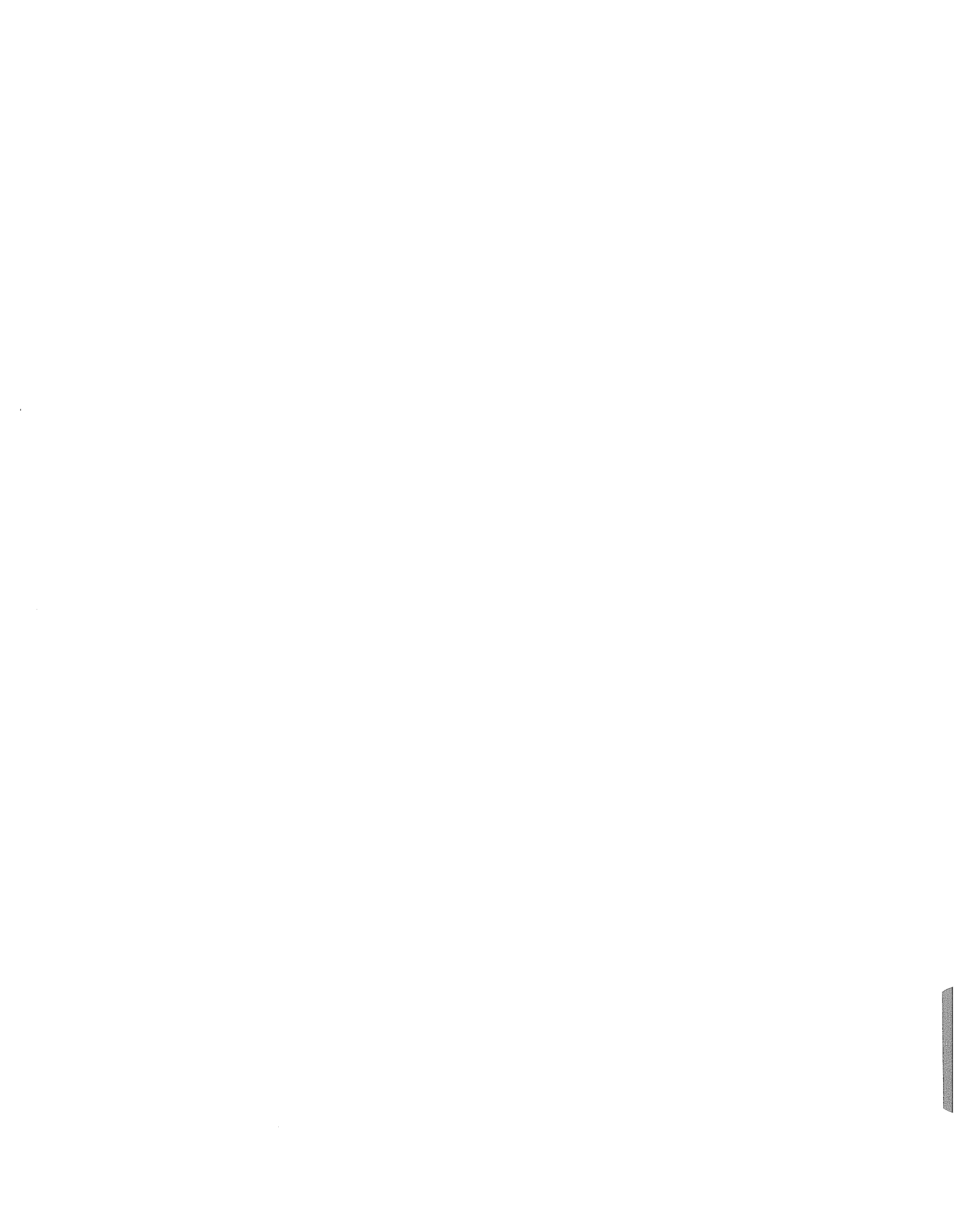
**Jackson Purchase Energy Corp.  
Capital Budget 2007**

Computers (4)	9,900	
Printers	400	
Computer Monitors (3) & Misc	2,000	
Computer Upgrades	4,900	
Tape Storage System	10,700	
Hot Stick Tester	1,200	
Battery Powered Press for Underground Work	7,500	
Battery Powered Cutter for Underground Work	5,500	
Milsoft Upgrade	7,600	
Other Software Upgrades	7,400	
Locators (3)	16,000	
Upgrade Meter Testing Equipment	3,400	
New Form 6 Controls	<u>73,000</u>	
		149,500
Office Equipment		3,800
Transportation		
Replace forklift	30,000	
New PU for Line Insp/Joint Use (4x4)	20,000	
Replace #9 Bucket (192k)	180,000	
Rebuild Boom #3 Bucket	18,000	
Rebuild Boom #17 Bucket	18,000	
Rebuild Boom #30 Bucket	18,000	
Rebuild Boom #6 Digger	23,000	
Replace Trencher/Backhoe	<u>89,000</u>	
		396,000
Building & Grounds		
New Chairs for Auditorium (100)	4,700	
New Tables for Auditorium (6)	2,040	
Transformer Storage Area	6,500	
Repair & Replace Bricks in Sidewalk	25,000	
Resurface Asphalt	<u>35,000</u>	
		73,240
Contingency		<u>1,000</u>
		623,540
Construction Work Plan		
Member Extensions (Code 100)	1,348,736	
Retirement without Replacement	(17,400)	
System Improvements (Code 300)	1,002,732	
Substation Improv - Calvert City Upgrade (Code 400)	500,000	
Substation Improv - Ledbetter Cooling Fans (Code 400)	8,000	
Transformers (Code 601)	456,582	
Meters (Code 601)	75,000	
Service Upgrades (Code 602)	47,796	
Sectionalizing, Regulators & Capacitors (Codes 603, 604 & 605)	535,000	
Pole Replacements (Code 606 & 607)	520,800	
Security Lights (Code 701)	221,400	
SCADA	150,004	
AMI	0	
Minor Projects (Code 800)	<u>750,000</u>	
		<u>5,598,650</u>
<b>Total Capital Budget</b>		<b><u><u>\$6,222,190</u></u></b>

**Jackson Purchase Energy Corp.  
Capital Budget 2006**

Computers (2)	2,500	
Printers (2)	800	
Computer Monitors (3)	900	
Computer Upgrades	3,200	
Small Tools & Accessories	15,000	
Voltage Recorder/Analyzer	8,000	
Network Equipment & Upgrades	1,700	
Milsoft Upgrade	7,500	
Other software upgrades	2,500	
Infrared Thermometers	2,500	
AVL Equipment for 6 trucks	<u>18,000</u>	
		62,600
Work Plan Preparation		70,000
Office Equipment		6,450
Transportation		
Replace #4 '97 Ford F80 (192k)	138,860	
Rebuild #16 Bucket & Boom, Paint	20,000	
Replace #21 '00 Chev 4x4 (163k) O'head Supr	25,440	
Replace #22 Standby Bucket (197k)	125,680	
Replace #29 '99 Chev 4x4 (110k) Elec Tech	25,440	
New PU for Line Inspection/Joint Use Adm	22,000	
New Bucket for 3rd Maintenance Crew	135,680	
New Dump Trailer	<u>5,830</u>	
		498,930
Building & Grounds		0
Contingency		<u>1,000</u>
		638,980
Construction Work Plan		
Member Extensions (Code 100)	1,283,745	
Retirement without Replacement	(17,400)	
System Improvements (Code 300)	776,700	
Substation Improvements (Code 400)	1,150,000	
Substation Equipment (Code 500)	8,000	
Transformers (Code 601)	434,071	
Meters (Code 601)	756,593	
Service Upgrades (Code 602)	47,279	
Sectionalizing, Regulators & Capacitors (Codes 603, 604 & 605)	390,004	
Pole Replacements (Code 606 & 607)	507,344	
Security Lights (Code 701)	216,000	
SCADA	56,500	
AMR	725,000	
Minor Projects (Code 800)	<u>750,000</u>	
		<u>7,083,836</u>
<b>Total Capital Budget</b>		<b><u><u>\$7,722,816</u></u></b>

001037



**Exhibit X**

**2007 Operating Budget**



# JACKSON PURCHASE ENERGY CORPORATION

## BUDGETED STATEMENT OF OPERATIONS Individual Months 2007

ITEM	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1. Operating Revenue & Patronage Capital.....	3,485,227	2,876,444	2,945,499	2,534,804	2,832,830	3,425,248	4,374,074	4,126,059	3,348,284	2,832,174	3,052,730	3,803,282	39,716,655
2. Power Production Expense.....	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Cost of Purchased Power.....	2,200,541	1,817,773	1,882,666	1,595,673	1,789,420	2,174,550	2,608,769	2,456,082	1,985,529	1,732,714	1,805,959	2,261,973	24,293,649
4. Transmission Expense.....	144,506	163,640	160,748	147,126	145,730	162,867	147,803	163,272	148,988	147,718	164,054	177,348	1,863,800
5. Distribution Expense - Operation.....	228,460	237,066	254,202	227,011	239,765	307,893	282,929	308,994	276,188	228,823	258,748	279,139	3,129,218
6. Distribution Expense - Maintenance.....	87,709	87,873	90,538	86,666	86,505	95,540	90,103	99,749	90,225	90,385	100,142	109,205	1,120,640
7. Customer Accounts Informational Expense.....	23,148	22,580	20,007	21,023	22,081	22,127	22,612	27,368	19,083	21,838	22,762	26,188	270,817
8. Sales Expense.....	3,767	3,767	4,287	3,767	3,767	3,767	4,287	3,767	3,767	3,767	3,767	3,767	48,204
9. Administrative & General Expense.....	189,749	163,868	180,645	172,244	167,488	181,721	191,512	177,578	159,757	164,684	177,577	200,575	2,127,338
10. Total Operation & Maintenance Expense (2 thru 10).....	2,877,880	2,460,597	2,579,073	2,252,510	2,454,756	3,347,995	3,347,995	3,238,810	2,683,537	2,389,929	2,532,849	3,058,195	32,851,666
11. Depreciation and Amortization Expense.....	279,872	280,770	281,714	283,110	284,298	286,034	287,652	290,041	291,463	292,078	294,308	295,454	3,447,984
12. Tax Expense - Property & Gross Receipts.....	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Tax Expense - Other.....	3,560	3,560	3,560	3,560	3,560	3,560	3,631	3,631	3,631	3,631	3,631	3,631	43,146
14. Interest on Long-Term Debt.....	227,656	226,957	226,067	225,798	224,846	223,956	223,086	222,173	221,882	221,611	220,661	219,769	2,685,662
15. Interest Charged to Construction - Credit.....	6,100	6,150	6,200	6,250	6,300	6,350	6,400	6,450	6,500	6,550	6,600	6,650	78,000
16. Other Deductions.....	3,995,088	3,004,004	3,096,614	2,775,253	2,880,223	3,478,632	3,880,080	3,776,110	3,223,848	2,932,929	3,080,438	3,608,037	39,231,236
17. Total Cost of Electric Service (11 thru 16).....	70,159	(127,580)	(151,115)	(240,449)	(147,993)	(53,384)	483,994	349,949	124,436	(755)	(27,708)	195,245	485,419
18. Patronage Capital & Operating Margins (1 minus 17).....	30,400	30,400	30,400	30,400	30,400	30,400	30,400	30,400	30,400	30,400	30,400	30,400	364,800
19. Non-Operating Margins - Interest.....	0	0	0	0	0	0	0	0	0	0	0	0	0
20. Allowance for Funds Used During Construction.....	0	0	0	0	0	0	0	0	0	0	0	0	0
21. Income (Loss) from Equity Investments.....	320	320	(980)	4,020	320	1,020	320	320	1,020	320	320	1,020	8,340
22. Non-Operating Margins - Other.....	0	0	0	0	0	0	0	0	0	0	0	0	0
23. Generation and Transmission Capital Credits.....	0	0	72,500	15,500	0	0	0	24,900	0	0	0	0	112,900
24. Other Capital Credits and Patronage Dividends.....	0	0	0	0	0	0	0	0	0	0	0	0	0
25. Extraordinary Items.....	100,879	(98,840)	(49,195)	(190,529)	(116,873)	(21,964)	524,714	405,569	195,856	29,965	3,012	226,665	971,459
26. Patronage Capital or Margins (20 thru 27).....	1.44	0.57	0.78	0.16	0.48	0.90	3.35	2.82	1.70	1.14	1.01	2.03	1.36
27. Times Interest Earned Ratio (TIER):	2.08	0.90	1.04	1.10	0.86	1.11	3.60	2.00	1.53	1.90	1.15	1.70	1.50
28. Debt Service Coverage	214,398	(208,396)	(187,857)	(73,289)	(226,475)	(105,732)	647,070	299,606	78,077	157,907	(90,162)	153,450	708,596
29. Excess Dollars over 1.35 DSC (Debt Svc Cvr)	(43,965)	153,579	105,712	246,979	172,885	77,953	(468,793)	(349,876)	(100,386)	25,438	52,153	(171,723)	(300,044)
30. Amount to Cut to Reach 1.25 TIER!!!													

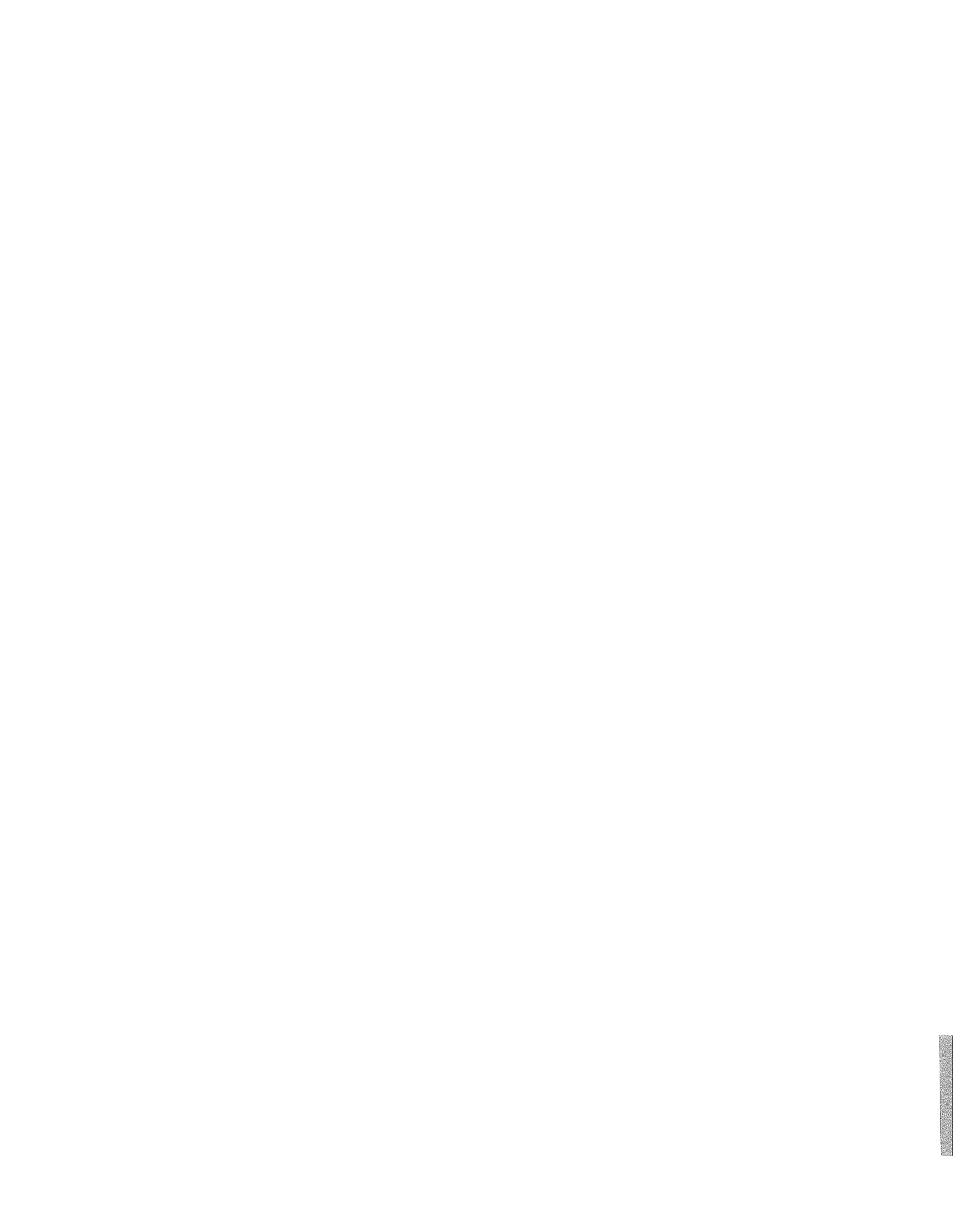
## JACKSON PURCHASE ENERGY CORPORATION

### BUDGETED STATEMENT OF OPERATIONS Year-To-Date 2007

ITEM	Y-T-D JAN	Y-T-D FEB	Y-T-D MAR	Y-T-D APR	Y-T-D MAY	Y-T-D JUN	Y-T-D JUL	Y-T-D AUG	Y-T-D SEP	Y-T-D OCT	Y-T-D NOV	Y-T-D DEC
1. Operating Revenue & Patronage Capital.....	3,465,227	6,341,671	9,287,170	11,821,974	14,554,804	18,080,952	22,454,126	26,580,185	29,928,468	32,860,643	35,813,373	39,716,655
2. Power Production Expense.....	0	0	0	0	0	0	0	0	0	0	0	0
3. Cost of Purchased Power.....	2,200,541	4,018,314	5,880,960	7,476,553	9,266,073	11,440,823	14,049,392	16,507,474	18,483,003	20,225,717	22,031,676	24,293,649
4. Transmission Expense.....	0	0	0	0	0	0	0	0	0	0	0	0
5. Distribution Expense - Operation.....	144,506	286,146	458,894	608,020	751,750	914,617	1,092,420	1,225,692	1,374,680	1,522,398	1,685,452	1,863,800
6. Distribution Expense - Maintenance.....	228,460	465,528	719,728	946,739	1,186,504	1,494,397	1,777,326	2,066,320	2,362,508	2,591,331	2,850,079	3,129,218
7. Customer Accounts Expense.....	87,709	175,582	272,120	358,786	445,291	540,831	630,834	730,683	820,908	911,293	1,011,435	1,120,640
8. Customer Service & Informational Expense.....	23,148	45,728	65,735	86,758	108,839	130,966	153,578	180,946	200,029	221,867	244,629	270,817
9. Sales Expense.....	3,767	7,534	11,801	15,568	19,335	23,102	27,369	31,136	34,903	38,670	42,437	46,204
10. Administrative & General Expense.....	189,749	353,617	534,262	706,506	873,994	1,055,715	1,247,227	1,424,805	1,584,562	1,749,246	1,925,763	2,127,338
11. Total Operation & Maintenance Expense (2 thru 10).....	2,877,880	5,364,447	7,943,520	10,197,030	12,551,788	15,600,251	18,848,246	22,187,056	24,870,593	27,260,522	29,793,471	32,851,666
12. Depreciation and Amortization Expense.....	279,872	560,642	842,356	1,125,466	1,409,764	1,695,798	1,983,450	2,273,491	2,564,954	2,857,932	3,151,940	3,447,384
13. Tax Expense - Property & Gross Receipts.....	0	0	0	0	0	0	0	0	0	0	0	0
14. Tax Expense - Other.....	3,560	7,120	10,680	14,240	17,800	21,360	24,991	28,622	32,253	35,884	39,515	43,146
15. Interest on Long-Term Debt.....	227,556	454,613	680,660	906,478	1,131,324	1,355,280	1,578,966	1,801,739	2,023,621	2,245,232	2,465,893	2,685,862
16. Interest Charged to Construction - Credit.....	0	0	0	0	0	0	0	0	0	0	0	0
17. Interest Expense - Other.....	6,100	12,280	18,450	27,725	40,488	57,105	74,221	95,076	118,411	143,491	172,380	203,368
18. Other Deductions.....	0	0	0	0	0	0	0	0	0	0	0	0
19. Total Cost of Electric Service (11 thru 18).....	3,395,088	6,398,072	9,495,656	12,270,939	15,251,162	18,729,784	22,809,874	26,385,984	29,609,832	32,542,761	35,623,199	39,231,236
20. Patronage Capital & Operating Margins (1 minus 19).....	70,159	(57,401)	(208,516)	(448,965)	(596,359)	(849,742)	(155,748)	(194,201)	(318,637)	(317,882)	(290,174)	(485,419)
21. Non-Operating Margins - Interest.....	30,400	60,800	91,200	121,600	152,000	182,400	212,800	243,200	273,600	304,000	334,400	364,800
22. Allowance for Funds Used During Construction.....	0	0	0	0	0	0	0	0	0	0	0	0
23. Income (Loss) from Equity Investments.....	0	0	0	0	0	0	0	0	0	0	0	0
24. Non-Operating Margins - Other.....	320	640	(340)	3,680	4,000	5,020	5,340	5,660	5,680	7,000	7,320	8,340
25. Generation and Transmission Capital Credits.....	0	0	0	0	0	0	0	0	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	0	0	72,500	88,000	88,000	88,000	88,000	112,900	112,900	112,900	112,900	112,900
27. Extraordinary Items.....	0	0	0	0	0	0	0	0	0	0	0	0
28. Patronage Capital or Margins (20 thru 27).....	100,879	4,039	(45,156)	(235,686)	(362,368)	(374,322)	(150,392)	(555,961)	(711,817)	(741,782)	(744,794)	(971,469)

<b>TIMES INTEREST EARNED RATIO (TIER):</b>	1.44	1.01	0.93	0.74	0.69	0.72	1.10	1.31	1.35	1.33	1.30	1.36
Debt Service Coverage	2.08	1.36	1.24	1.21	1.13	1.12	1.39	1.48	1.49	1.52	1.48	1.50
Excess Dollars over 1.35 DSC (Debt Svc Cvr)	214,398	6,001	(131,855)	(205,144)	(431,619)	(537,351)	109,719	409,325	487,402	645,308	555,146	708,596
<b>AMOUNT TO CUT TO REACH 1.25 TIER!!!</b>	(43,865)	109,614	215,326	462,305	635,189	713,142	244,350	(105,526)	(205,912)	(180,474)	(128,321)	(300,044)

00000000



**Exhibit Y**

**Capital Credits**

Witness: Chuck Williamson

**Jackson Purchase Energy Corporation**  
**Case No. 2007-00116**  
**December 31, 2006**

Capital credits paid is follows:

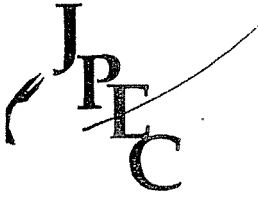
2006	0
2005	0
2004	0
2003	0
2002	0
2001	0

Jackson Purchase Energy does not a formal Equity Management Plan. Jackson Purchase has not ever paid capital credits.



**Exhibit Z**

**Notice to PSC of Filing Application and  
Acknowledgement from PSC**



**Jackson Purchase Energy**  
P.O. Box 4030 • 2900 Irvin Cobb Drive  
Paducah, KY 42002-4030  
270/442-7321 • 800/633-4044

*Your Cooperative Partner by Choice  
Visit Our Web Site [www.JPEnergy.com](http://www.JPEnergy.com)*

March 16, 2007

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
Frankfort, Kentucky 40602

Re: Jackson Purchase Energy Corporation (JPEC)  
Notice of Intent to File a Rate Application

Dear Ms. O'Donnell:

Jackson Purchase Energy Corporation ("JPEC") gives notice pursuant to 807 KAR 5:001, 10(2) of its intent to file a rate application no earlier than April 16, 2007 which is four (4) calendar weeks from the date of this letter. Said rate application will be supported by a historical test year.

Should you need any further information from me regarding this filing, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read 'G. Kelly Nuckols', is written over a horizontal line.

G. Kelly Nuckols, President/CEO

C: Attorney General, Utility Intervention and Rate Division  
JPEC Board of Directors  
Melissa D. Yates, Attorney for Jackson Purchase Energy Corporation (JPEC)



001041



Ernie Fletcher  
Governor

Teresa J. Hill, Secretary  
Environmental and Public  
Protection Cabinet

Timothy J. LeDonne  
Commissioner  
Department of Public Protection



Commonwealth of Kentucky  
Public Service Commission  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

Mark David Goss  
Chairman

John W. Clay  
Commissioner

March 22, 2007

G. Kelly Nuckols  
President & Ceo  
Jackson Purchase Energy Corporation  
2900 Irvin Cobb Drive  
P. O. Box 4030  
Paducah, KY 42002-4030

RE: Case No 2007-00116

Jackson Purchase Energy Corporation  
(General Rates)

Notice of Intent to file rate application by April 16, 2007

This letter is to acknowledge receipt of notice of intent to file an application in the above case. The notice was date-stamped received March 21, 2007 and has been assigned Case No 2007-00116. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell  
Executive Director

BOD/sh



**Exhibit AA**

**September 27, 2007 Resolution of JPEC's Board of Directors**

## Resolution

WHEREAS, a rate application is being prepared for Jackson Purchase Energy Corporation (JPEC) and the initial findings are that JPEC needs to increase its electric base rates by an annual amount of \$3,552,728. This increase amounts to an increase for current electric base rates of 9.5%. This increase would result in annual operating revenues from base rates of approximately \$41.0 million based on the test year billing units.

THEREFORE, Be It Resolved, that the board of directors approved that JPEC file a rate application seeking an increase in base electric rates not to exceed \$3,560,000 and directs management to file the application with the proper regulator bodies for approval.

I, Wayne Elliott, Secretary of Jackson Purchase Energy Corporation, do hereby certify that the above is a true and correct excerpt from the minutes of the board of directors meeting of the corporation, held on the 27<sup>th</sup> day of September 2007 at which meeting a quorum was present.



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Secretary/Treasurer