

RUS NO. 18056-001  
Plan No. 002  
E.I.N. 610259922

**National Rural Electric Cooperative Association**  
**Adoption Agreement "A"**  
**401(k) Pension Plan**  
*For Use Only by Rural Cooperatives*

IF YOUR PARTICIPATING SYSTEM IS NOT A RURAL ELECTRIC COOPERATIVE, YOU MUST COMPLETE ADOPTION AGREEMENT "B" TO ENROLL IN THE 401(K) OPTION.

This Adoption Agreement may only be used in conjunction with the Specifications of the 401(k) Pension Plan.

The LICKING VALLEY RURAL ELECT CO-OP CORP (hereinafter referred to as the "Participating System") hereby adopts for its Employees the 401(k) Pension Plan ("Plan") and the Trust under which it is administered, sponsored by the National Rural Electric Cooperative Association ("NRECA"), effective the first day of May, 1985, and as amended effective the first day of July, 2012. The Participating System adopts the following elective provisions with respect to the Plan:

**1. Eligibility Requirements**

COMPLETE SECTION A AND B IF YOUR PLAN HAS BOTH EMPLOYER AND EMPLOYEE CONTRIBUTIONS

**Section A. Employer Contributions**

An Employee shall become a Participant in the Plan on the first day of the month coincident with or next following:

**ELECT ONE**

- a.  The date on which he completes X one/     three/     six Full Month(s) of Employment or, if earlier, a Year of Eligibility Service. A Full Month of Employment is defined as any calendar month during which an Employee works 84 hours.
- b.  The date on which he completes a Year of Eligibility Service.
- c.  The date on which he (i) completes     one/     three/     six Full Month(s) of Employment or, if earlier, a Year of Eligibility Service, and (ii) attains age 21. A Full Month of Employment is defined as any calendar month during which an Employee works 84 hours.
- d.  The date on which he completes a Year of Eligibility Service and attains age 21.
- e.  No Employer Contributions

Note: *The Full Month of Employment requirement is completed when an Employee works 84 hours in each month during a one, three or six calendar month(s) period, as elected, which do not need to be consecutive. If an Employee does not complete 84 hours of service, in each month of the eligibility period, but does work 1,000 hours during the first twelve months of employment (or subsequent calendar year, they are considered to have met your eligibility requirements.*

**Section B. Employee Contributions**

An Employee shall become a Participant in the Plan on the first day of the month coincident with or next following:

**ELECT ONE**

- a.  The date on which he completes X one/     three /     six Full Month(s) of Employment or, if earlier, a Year of Eligibility Service. A Full Month of Employment is defined as any calendar month during which an Employee works 84 hours.
- b.  The date on which he completes a Year of Eligibility Service.
- c.  The date on which he (i) completes     one/     three /     six Full Month(s) of Employment or, if earlier, a Year of Eligibility Service, and (ii) attains age 21. A Full Month of Employment is defined as any calendar month during which an Employee works 84 hours.
- d.  The date on which he completes a Year of Eligibility Service and attains age 21.

Note: *The Full Month of Employment requirement is completed when an Employee works 84 hours in each month during a one, three or six calendar month(s) period, as elected, which do not need to be consecutive. If an Employee does not complete 84 hours of service, in each month of the eligibility period, but does work 1,000 hours during the first twelve months of employment (or subsequent calendar year), he is considered to have met your eligibility requirements.*

An Employee who was a Participant upon termination of employment and who is reemployed shall again become a Participant on the date of his reemployment into a class of Employees eligible for the Plan or with respect to an Employee who was a Participant under the Plan adopted by another Participating System, the date he satisfies the current eligibility requirements, if his age and/or prior employment service do not satisfy these requirements.

**2. Eligible Class of Employees**

The provisions of the Plan and the Adoption Agreement are applicable to the following class of Employees of the Participating System.

**ELECT ONE**

- a.  All Employees of the Participating System.
- b.  Employees of the Participating System covered by an agreement which is the subject of good faith bargaining between the Participating System and        Union dated        which makes the Plan and any amendments thereto available to such employees.
- c.  Employees of the Participating System not covered by a collective bargaining agreement.
- d.  Other:

If an Employee transfers from the Class of Employees specified above to another Class of Employees within the Participating System, he shall, as of the date of transfer, become subject to the provisions of the Adoption Agreement applicable to such other class.



### 3. Excluded Class of Employees

Employees of the Participating System described in the following classification(s) shall not be eligible to participate in the Plan:

**DESCRIBE:**

- a.  Part-time, Temporary/Seasonal Employees who have not completed a year of service
- b.  Part-time, Temporary/Seasonal Employees who have not attained age 21

Note: These options above are not available if you have elected option (b) or (d) under Eligibility Requirements. A Year of Eligibility Service is defined as either an Employee's first 12 months of employment starting with date of hire, or a subsequent calendar year, in which an Employee is credited with 1,000 hours of service.

- c.  Other job classifications. The excluded classifications should be definitely determinable and should not be based on age or length of service (except under circumstances or as provided in (a) above). Enter the specific job classification below.
- d.  Highly Compensated Employees are excluded from receiving employer contributions

### 4. Years of Eligibility Service Relating to Mergers, Consolidations or Acquisitions

For purposes of Paragraph 5.4(e) of the Plan, an Employee (elect one)  Shall  Shall Not receive credit for any period he is employed by any entity merged, consolidated or liquidated into a System or any entity, substantially all of the assets of which have been acquired by a System or which is otherwise considered a predecessor employer under Section 414(a) of the Code. Notwithstanding the foregoing election, service credited under Paragraph 5.4(e) of the Plan shall be credited to the extent required under paragraph 5.4(e) of the Plan prior to its amendment effective January 1, 2000.

Paragraph 5.4(e) is not applicable.

### 5. Normal Retirement Date

Normal Retirement Date under the Plan shall be the following:

**ELECT ONE**

- a.  Age 65 Plan—The first day of the month coincident with or next following a Participant's attainment of age 65.
- b.  Age 62 Plan—The first day of the month coincident with or next following a Participant's attainment of age 62.
- c.  Age 60 Plan—The first day of the month coincident with or next following a Participant's attainment of age 60.
- d.  30-Year Plan—The first day of the month coincident with or next following the earlier of Participant's attainment of age 62 or the completion of 30 years of service. (Must complete i, ii, or iii below)

The following election is provided for the discontinuance of contributions under the 30-Year Plan:

**ELECT ONE**

- i.  All Employer and all Employee Contributions shall be discontinued on the last day of the month in which the Participant completes 30 years of service under this plan.
- ii.  All Employer and all Employee Contributions shall be discontinued on the first day of the month in which a Participant's actual retirement date occurs.

- iii.  All Employer Contributions shall be discontinued on the last day of the month in which the Participant completes 30 years of service under this Plan. (Under this option, all Employee Contributions may continue until the first day of the month in which a Participant's actual retirement date occurs.)

NOTE: *Employer and Employee Contributions on behalf of a Participant whose retirement is postponed beyond his/her Normal Retirement Date shall not be discontinued because of attainment of any age.*

## 6. Compensation

The Compensation on which Employer Contributions and Employee Contributions to this Plan are based shall be the Participant's current Full Salary or his current Base Salary as limited under Paragraph 2.8 of the Specifications. "Full Salary" is a Participant's current wages from a Participating System subject to federal income tax withholding plus any amount deferred under a qualified salary reduction arrangement under Sections 125 and 401(k) of the Code and under Section 457(b) of the Code and including elective amounts that are not includible in the Participant's gross income by reason of Section 132(f) of the Code, but excluding reimbursements or other expense allowances; fringe benefits; moving expenses; welfare benefits; pension, deferred compensation or retirement allowances; or any amount deferred under a nonqualified, defined benefit deferred compensation arrangement. "Base Salary" is the Participant's Full Salary, but excluding any extra or overtime compensation and bonuses received in the Calendar Year. The definition of Compensation for contributions to this Plan shall be Compensation as elected by the Participating System below. Under either definition, only amounts, which are actually paid to the Participant during periods while eligible to participate within the Calendar Year, shall be taken into account.

### CAUTION:

**PLEASE NOTE THAT IF YOU ELECT TO HAVE THE EMPLOYER BASE CONTRIBUTION DETERMINED USING BASE SALARY AND NONDISCRIMINATION TESTS RESULT IN BENEFITS WHICH DISCRIMINATE IN FAVOR OF HIGHLY COMPENSATED EMPLOYEES, YOUR PLAN MUST BE AMENDED RETROACTIVELY TO CORRECT THE DISCRIMINATION. YOUR PLAN MUST BE AMENDED (1) TO INCREASE CONTRIBUTIONS FOR SOME, OR ALL OF THE NONHIGHLY COMPENSATED PARTICIPANTS, (2) TO MODIFY THE ELIGIBILITY PROVISIONS UNDER THE PLAN TO PERMIT INELIGIBLE EMPLOYEES TO PARTICIPATE IN THE PLAN AND TO GRANT ACCRUALS TO SUCH EMPLOYEES, AND/OR (3) TO PROVIDE THAT BENEFITS WILL BE DETERMINED ON THE BASIS OF FULL SALARY. A CORRECTIVE AMENDMENT WILL INCREASE THE COST OF THE PLAN AND ANY SUCH COST WILL BE ADDED TO YOUR CONTRIBUTIONS.**

#### a. Employer Contributions:

- Full Salary  
 Base Salary  
 No Employer Contributions

#### b. Pre-tax Employee Contributions (Pre-tax and/or Roth):

- Full Salary  
 Base Salary

#### c. After-tax Voluntary Employee Contributions (if any):

- Full Salary  
 Base Salary  
 No Voluntary Employee Contributions



## 7. Contributions

The sum of Employer Contributions and Employee Contributions, in whatever form as elected below, shall not exceed the limitations provided in Sections 7 and 8 of the Plan. A Participant may elect to make pre-tax and/or Roth Employee Elective Contributions (including Required Employee Contributions) up to the limits prescribed by law. (If you have adopted the Safe Harbor Plan provision, you must have elected Full Salary in 6, above).

### a. Safe Harbor Provision

The Participating System has adopted the Safe Harbor provision.

#### ELECT ONE:

i.  Employer Base Contribution Formula: \_\_\_\_\_% (at least 3%)

ii.  Basic Employer Matching Contribution Formula

(1) The Participating System shall contribute to each Participant's account an Employer Matching Contribution equal to 100 % of Employee Elective Contributions of 0% to 3% of the Participant's Compensation; and

(2) The Participating System shall contribute to each Participant's account an Employer Matching Contribution equal to 50% of Employee Elective Contributions in excess of 3% and no greater than 5% of the Participant's Compensation.

iii.  Enhanced Employer Matching Contribution formula

(1) The Participating System shall contribute to each Participant's account an Employer Matching Contribution equal to \_\_\_\_\_% of Employee Elective Contributions of 0% to \_\_\_\_\_% (cannot exceed 6%) of the Participant's Compensation; and

(2) The Participating System shall contribute to each Participant's account an Employer Matching Contribution equal to \_\_\_\_\_% of Employee Elective Contributions of \_\_\_\_\_% to \_\_\_\_\_% (cannot exceed 6 %) of the Participant's Compensation.

NOTE: The formula under option (iii) must satisfy the following conditions (1) the rate of Employer Matching Contributions may not increase as the rate of Elective Contributions increases; (2) it must provide for an aggregate amount of Employer Matching Contributions at any rate of Elective Contributions which is at least equal to the aggregate amount of Employer Matching Contributions required under paragraph (ii) above at each such rate of Elective Contributions; (3) Employer Matching Contributions may not be made with respect to Elective Contributions in excess of six percent of Compensation; (4) the Employer Matching Contribution with respect to any Highly Compensated Employee at any rate of Elective Contributions must not be greater than that with respect to an Employee who is not a Highly Compensated Employee.

### b. Employer Base Contribution not conditioned by Employee Contributions

The Participating System shall contribute to each Participant's account an Employer Contribution equal to \_\_\_% of the Participant's Compensation.

### c. Employer Matching Contribution

(i) The Participating System shall contribute to each Participant's account an Employer Base Contribution equal to 11 % of the Participant's Compensation.

A Participant shall be required to contribute an Employee Elective Contribution equal to 4 % of his Compensation in order to receive the Employer Base Contribution.

(ii) The Participating System shall contribute to each Participant's account an Employer Contribution equal to \_\_\_\_% (up to 500%) of Employee Elective Contributions of \_\_\_\_% to \_\_\_\_% of the Participant's Compensation. (This may or may not be in addition to the election in (i) above).

(iii) In addition to the Employer Matching Contribution specified in (i) and (ii) above, the Participating System shall further contribute to each Participant's account an Employer Contribution equal to \_\_\_\_% (up to 500%) of Employee Elective Contributions of \_\_\_\_% to \_\_\_\_% of the Participant's Compensation above the Employee Elective Contributions in (ii).

(iv) The Participating System shall contribute to each Participant's account an Employer Contribution equal to \_\_\_\_% (up to 500%) of Employee Elective Contributions of \_\_\_\_% to \_\_\_\_% of the Participant's Compensation, in an amount:

not more than \$\_\_\_\_\_

not less than \$\_\_\_\_\_

(This may or may not be in addition to an election in i, ii, or iii, above).

d.  Other – See Addendum

e.  There shall be no Employer Base Contribution or Employer Matching Contribution.

f. Roth Elective Contribution

Roth Elective Contributions are adopted by the Participating System

g. Voluntary Employee Contribution

(i) Voluntary Employee Contribution: A Participant may elect to make after-tax Voluntary Employee Contributions (VEC) to his account, subject to the limitations and conditions provided in Sections 6 and 8 of the Plan. Participants may make VEC Contributions only without making any Elective Employee Contributions, but shall not then receive any Employer Base and/or Matching Contributions specified above.

(ii) There shall be no Voluntary Employee Contributions.

### 8. Participant Loans

#### ELECT ONE

a.  Participant loans are allowed, subject to the terms and conditions of the loan provisions in Section 15 of the Plan. A Participant may have a maximum of (elect only one):

one (1) loan,  two (2) loans,  three (3) loans,  four (4) loans.

b.  Participant loans are not allowed in this Plan.

### 9. In-Service Distributions

#### ELECT "a," and/or "b" or "c"

a.  In-service Distribution Following NRD and Age 59½ — A one-time distribution upon the attainment of the later of age 59 1/2 or a Participant's Normal Retirement Date shall be available to a Participant prior to his retirement or other termination of employment.

b.  Hardship Distribution — Withdrawal upon financial hardship (as defined in Paragraph 14.17 of the Plan) shall be available to a Participant prior to his actual retirement or other termination of employment..



- c.  There shall be no in-service distributions.

## 10. Contributions during Initial Disability Period

Provided the Participant is receiving Compensation from the Participating System, and subject to the Participant's making any Required Employee Contributions, the Participating System shall continue contributions on behalf of a totally disabled Participant, as provided in Paragraph 6.8 of the Specifications, for the following period only from the date of disability. In addition, a Participant who receives Compensation from the Participating System may continue to make Employee Elective Contributions and Required Employee Contributions until the Participant begins to receive payments due to disability, notwithstanding the election made by the Participating System below. *In no event should the number of weeks in this election be greater than the Participating System's Long Term Disability elimination period.*

### ELECT ONE

- a.  For 13 weeks  
b.  For 26 weeks  
c.  For \_\_\_\_ weeks (from 1 to 25)  
d.  No Employer Contributions

## 11. Investment of Contributions

The Participant shall designate the Investment Fund or Funds in which Employee Contributions and Employer Contributions allocated to him shall be invested. Employee Contributions and Employer Contributions, if any, shall be invested in the same Investment Fund or Funds and in the same proportions. Participants shall be permitted to invest the contributions on a daily basis only by telephone or internet notice to the Committee or its authorized agent in accordance with procedures established by the Committee.

This provision shall apply to investment of Employer and Employee Contributions in the Short-Term Bond Fund, Money Market Fund, Growth and Income Stock Fund, S&P 500 Stock Index Fund, International Stock Fund, Small Company Stock Fund, Diversified Growth Stock Fund, the Retirement, 2020, 2030, and 2040 Target Date Portfolio, and if elected by the Participating System, the Self-Directed Brokerage Account described in Section 12 of the Plan.

### SELF-DIRECTED BROKERAGE ACCOUNT

- The Self-Directed Brokerage Account is an additional investment option in the 401(k) Pension Plan, specifically acting as a discount brokerage account within the Plan. All investments are made upon the direction of the participant at the participant's risk. Securities purchased through the Self-Directed Brokerage Account, including mutual funds, are not bank deposits and are not insured by the FDIC or guaranteed by the State Street Bank and Trust Company. Upon adopting the Self-Directed Brokerage Account, a Participant must be permitted to invest contributions on a daily basis by telephone notice to the Committee or its authorized agent in accordance with procedures established by the Committee.

## 12. Non-Discrimination Testing Elections

### A. Top Paid Group

Highly Compensated Employees are defined in Paragraph 2.14 of the Plan. If your System has multiple Highly Compensated Employees, you may limit the number of employees considered to be Highly Compensated Employees to those employees in the top paid group. This group consists of the top 20% of the System's and its Affiliate's Employees, when ranked on the basis of compensation for the preceding Calendar Year.

- Elect Top Paid Group

### B. Prior/Current Year Election

401(k) plan testing may be performed using either prior year or current year data. A prior year election may be changed to a current year election for any Plan Year. However, once elected, a current year election **must** remain in effect for 5 calendar years (except under certain circumstances).

**ELECT ONE**

- a.  Prior Year
- b.  Current Year

**13. Top-Heavy Adjustment**

*[Complete this section only if your Plan is determined to be top-heavy.]*

If the Plan must be amended to satisfy the top-heavy requirements due to the required aggregation of multiple plans under Section 416 of the Code, appropriate language must be specified below to satisfy Sections 416 of the Code.

\_\_\_\_\_  
[Specify other appropriate language and Code sections.]

**14. Limitations on Annual Additions**

*[Complete this section only if you maintain, or previously maintained, in addition to this Plan, one or more plans, which are qualified, defined contribution plans or a defined contribution plan requiring employee contributions.]*

If one or more other defined contribution plans are maintained, Annual Additions which may be credited to any Participant's account under this Plan for any Limitation Year shall be limited as follows:

**ELECT ONE**

- a.  In accordance with Section 11 of the Specifications.
- b.  \_\_\_\_\_  
[Specify other method of reduction.]

The Limitation Year for the purposes of the limitation on Annual Additions shall be the Calendar Year unless a different 12-consecutive-month period is elected below.

c.  \_\_\_\_\_  
[Specify period if other than Calendar Year.]

**15. Hold Harmless and Indemnification Agreement**

*[This section applies only if the Participating System participated in another plan qualified under Section 401(a) of the Code (the "Prior Plan") and assets, and liabilities of the Prior Plan are transferred to the Plan pursuant to the merger of the Prior Plan and the Plan.]*

Upon the effective date of the merger, the Participating System agrees to hold harmless and to indemnify NRECA, its officers and directors, the NRECA 401(k) Pension Plan and the Committee from any and all liability, fines, penalties, loss, damage or expense, including all costs to correct any disqualifying defect or practice, imposed or arising under the Internal Revenue Code of 1986 and from any and all liability, fines, penalties, loss, damage or expense imposed or claim arising under the Employee Retirement Income Security Act of 1974 with respect to the Participating System's participation in the Prior Plan. This Hold Harmless and Indemnification Agreement shall continue in full force and effect without regard to changes or modifications by the Participating System to its Adoption Agreement in the 401(k) Pension Plan and without regard to the Participating System's termination of participation in the 401(k) Pension Plan in the future. This Agreement shall inure to the benefit of the 401(k) Pension Plan, the Committee and NRECA and its officers, directors and employees



and their respective heirs, estates and assigns. This Adoption Agreement incorporates the Merger Agreement between the NRECA 401(k) Pension Plan and the Participating System, effective the date of this Adoption Agreement.

**16. Signatures:**

IN WITNESS WHEREOF, the Participating System, by its duly authorized officers, and with its seal affixed, has caused this Agreement to be executed as of the date below.

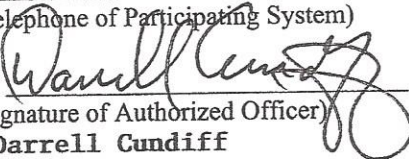
**SEAL of the Participating System**

**Please indicate by checking this box if the Participating System does not have a corporate seal**

LICKING VALLEY RURAL ELECT CO-OP CORP  
(Name of Participating System)

P.O. Box 605, West Liberty, KY, 41472  
(Address of Participating System: city, state & zip)

606-743-3179  
(Telephone of Participating System)

By   
(Signature of Authorized Officer)

Darrell Cundiff  
President  
(Title of Officer)

Date: September 20, 2012

**NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION:**

By: \_\_\_\_\_

Date: \_\_\_\_\_