

BIG SANDY RURAL ELECTRIC Cooperative Corporation

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Big Sandy Rural Electric Cooperative Corporation Bylaws

This edition of Bylaws supersedes all previous issues.

ARTICLE I MEMBERSHIP

SECTION 1. Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of Big Sandy Rural Electric Cooperative Corporation hereinafter called the "Cooperative" upon receipt of electric service from the Cooperative, provided that he or it has first:

- Make a written application for membership therein;
- Agreed to purchase from the Cooperative electric energy as hereinafter specified;
- 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; and
- Paid the membership fee hereinafter specified;

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these bylaws.

SECTION 2. Membership Certificates. Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board. Such certificates shall be signed by the Chairman and by the Secretary of the Cooperative 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 for. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefor upon such uniform terms and indemnity to the Cooperative as the board may prescribe.

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

- 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;
- The vote of either separately or both jointly shall constitute one joint vote;
- A waiver of notice signed by either or both shall constitute a joint waiver;
- Notice to either shall constitute notice to both;
- Expulsion of either shall terminate the joint membership;
- Withdrawal of either shall terminate the joint membership;
- Either but not both may be elected or appointed as an officer or Board member, 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 written request of the holder, thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, bylaws and rules and regulations adopted by the Board. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.

(b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in such manner as shall indicate the changed membership status; 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 Twenty-five dollars (\$25.00) upon the payment of which a member shall be eligible for one service connection.

SECTION 6. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in his application for membership, and shall pay 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 per month regardless of the amount of electric energy consumed, as shall be fixed by the Board from time-to-time. Each member shall pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

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 the members of the Board, expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws or rules or regulations adopted by the Board, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failures shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from a 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 in cash by him, provided, however, that the

Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the member to the Cooperative.

SECTION 8. Member to Grant Easements to Cooperative. Each member shall, upon being requested to do so by the Cooperative, execute and deliver to the Cooperative grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service to him or other members for the construction, operation, maintenance or relocation of the Cooperative's electric facilities.

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 years next preceding the date of the filing of the certificate of dissolution, or if the Cooperative shall not have been in existence for such period, during the period of its existence.

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

ARTICLE III MEETING OF MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the members shall be held between May 1 and October 1 of each year, beginning with the year 1968, at such place or place in the counties served by the Cooperative as may be designated by a resolution of the Board of Directors, fixing the time and place of the annual meeting, which resolution shall be duly adopted by the Board of Directors to make adequate plans and preparations for the annual meeting. If the day fixed for the annual meeting shall fall on a Sunday or a legal holiday, such meeting shall be held on the next succeeding business day. 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 five Board members, by the Chairman, or by thirty 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 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. Notice of all regular and special meetings of the members shall be given by advertising same in two issues of the weekly newspapers having the largest circulation in the counties which the Cooperative has members for the two next preceding the date of said meeting by announcing same over any radio stations located within the area served by the Cooperative. Such advertising shall be deemed proper notice of all regular and special meeting of the members. The failure of any member to receive notice of any 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. Not less than one hundred (100) members present in person or represented by proxy shall constitute a quorum for the transaction of business at all meeting of the members.

SECTION 5. Voting. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of the majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the articles of incorporation or these bylaws.

At all meetings of members a member may vote by proxy executed in writing wherein the notice of the meeting there is included:

(a) proposed resolution to authorize borrowing of funds from the United States of America or from National Rural Utilities Cooperative Finance Corporation or other lending agencies or lending corporations, and to incur indebtedness from time to time by the assumption of the indebtedness of third parties to the United States of America or other sale, mortgage, lease or other disposition or encumbrance of property to United States of America or any agent or instrumental-ity thereof or others;

(b) In connection with a proposed amendment to the articles of incorporation of the Cooperative. To be valid a proxy must be executed by the member within sixty (60) days next before the date of the meeting.

SECTION 6. Order of Business. The order of business at the annual meeting of the members and, so far as possible at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting.

- Report on the number of members present in person in order to determine the existence of a quorum.
- 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 cases may be.
- Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- Presentation and consideration of reports of officers, trustees, and committees.
- Reading of report of the election commissioners on the election of Board members.
- Unfinished business.
- New business.

9. Adjournment.

SECTION 7. Agenda. The agenda for the meeting of the members shall be with full disclosure to the membership, so as to inform the membership in the Notice of the Meeting, of the nature of all business to be considered. To achieve the same, no proposal shall be voted upon at the Annual Meeting unless it has been placed on the agenda at least ninety (90) days prior to such meeting. Any legitimated proposal may be submitted for inclusion on the agenda by the members. Said proposal(s) must be writing and signed by at least one hundred (100) members in good standing, and a copy of the proposal must be filed with the Secretary within the time allowed, with a request that it be submitted to the Annual Meeting for consideration. Any item submitted by a member or members, to be placed on the Agenda of the Annual Meeting, must be clearly stated and easily understood. Nothing in this section, or any other section of the Bylaws shall be construed as diminishing the authority or duty of the board of Directors to determine items to be submitted to vote of the members at any meeting of the members and/or the arrangement and content of the agenda.

ARTICLE IV Board Members

SECTION 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of six members which shall exercise all of the powers of the Cooperative except such as are by law, the articles of incorporation or these bylaws conferred upon or reserved to the members.

SECTION 2. Voting Districts. The territory served by the Cooperative shall be divided into six districts. Each district shall be represented by one Director. District boundaries shall be as follows:

District No. 1 - Johnson County: Beginning at the Lawrence County line on the east side of the Levisa Fork of Big Sandy River; thence with Levisa Fork of Big Sandy River to the Floyd county line; thence east with Floyd county line to the Martin County line; thence with Lawrence County line to Levisa Fork point of beginning.

District No. 2 - Johnson County: Beginning at the Lawrence County line of the west bank of Levisa Fork of Big Sandy River; thence with river to Paintsville; thence west with U.S. Highway 23 and 460 to the mouth of Mudlick; thence following ridge between Toms Creek and Mudlick and Hoods Creek to the Lawrence County line; thence with the Lawrence County line to Levisa Fork of Big Sand River, the point of beginning.

District No. 3 - Johnson County: Beginning at the bridge across Levisa Fork of Big Sandy River at Paintsville, Kentucky; thence following U.S. 23 and 460 to the mouth of Mudlick Creek; thence with ridge between Mudlick Creek and Toms Creek and Hoods Creek to the Lawrence County line; thence west with Lawrence County line to the Morgan County line; thence continuing to the Magoffin County line; thence to the Floyd County line; thence with the Floyd County line to Levisa Fork of Big Sandy River; thence down same to point of beginning.

District No. 4 - Martin County and Lawrence County: District No. 4 shall include all members living in Martin and Lawrence Counties.

District No. 5 - Floyd County and Pike County: Beginning at the Johnson County line at East Point and on the east side of Big Sandy River; thence following the river to Prestonsburg, Kentucky; thence leaving the river to include both forks of Bull Creek and thence eastward to Martin, Kentucky; thence on up Left Beaver to the Pike County line; thence with the Pike County Line to the Martine County line; thence with the Martin County line to Johnson County line; thence with Johnson County line to Big Sandy River at East Point, the point of beginning. All members living in Pike County are also to be included in this district.

District No. 6 - Floyd County: Beginning at the Johnson County line at East Point on the west side of Big Sandy River; thence following the river to Prestonsburg, Kentucky; thence up Middle Creek to David Road, including both sides of Middle Creek, Spurlock and Conley Forks, thence up David Road to Magoffin County line; thence to Johnson County line to the point of beginning at East Point.

SECTION 3. Selection and Tenure. Directors shall serve for terms of four (4) years or until their successors shall have been elected or appointed by the Board and shall have been qualified. Any vacancy on the Board caused by death or resignation or failure to have candidates for the office of director shall be filled by Board of Directors for unexpired portion of the term.

SECTION 4. Qualifications. No person shall be eligible to become or remain a Board member of the Cooperative who:

- (a) is not a member and bona fide resident living in the district served by the Cooperative for at least one year.
- (b) is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative, or
- (c) who does not live in the district to be represented by the member.
- (d) is an employee of the Cooperative or who was employed by the Cooperative with the last five years.
- (e) must be an individual.
- (f) must have the capacity to enter into legally binding contracts.
- (g) before becoming a Director, graduate from High School or earn an equivalent degree or certification.
- (h) while a Director, and prior to becoming a Director, not be convicted of, or plead guilty to, a felony.
- (i) while a Director, and prior to becoming a Director, not have a final judgment entered against them involving civil fraud, ethical violations, discrimination and/or acts of harassment.
- (j) while a Director, and seven years immediately before becoming a Director, not been a debtor in a federal bankruptcy proceeding or a similar proceeding under applicable state law such as insolvency, liquidation, receivership reorganization, or assignment for the benefit of creditors.
- (k) while a Director, and seven years immediately before becoming a Director, not been a party to a foreclosure or other proceeding (Judicial or non-Judicial), which proceeding is or was instituted because of the Director's default on indebtedness.
- (l) except as otherwise provided by the Board of Directors for good cause shown, receive a credentialled Cooperative Director Designation or Certification from the National Rural Electric Cooperative Association within two (2) years of becoming a Director and after becoming a Director, participating in and complete required Director Training as established by the Board of Directors.

Upon establishment of the fact that a Board member is holding office in violation of any of the foregoing provisions, the Board shall remove such Board member from office. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

SECTION 5. Nomination and Election of Directors.

- (a) Nomination Committee. Not less than ninety (90) days before the date of annual meeting at which Directors are to be elected, the Board of Directors shall appoint a Nomination Committee consisting of six members, one from each six districts. No existing Cooperative employees, agents,

officers, Directors, or known candidates for Director, or persons who are close relatives of members of the same household thereof are eligible to serve on the committee.

The Nomination Committee shall meet at the next regular meeting of the Board of Directors, which meeting shall not be less than sixty (60) days before the annual meeting of the members, at the principal office of the Cooperative at Paintsville, Kentucky, at the same time as the meeting of the Board of Directors to nominate candidates for the office of Director of the cooperative.

No person shall be nominated as a candidate for the Board of Directors unless that person is duly qualified and has requested to be nominated as a candidate by presenting a written request, on an official form provided by the cooperative, to the nomination committee. An incumbent director may be nominated as a director so long as the incumbent is duly qualified and has made written request to the Nomination Committee.

All other members, who are properly qualified, may be nominated by filling an official Nomination Request/Petition form with the secretary of the cooperative at least 14 days prior to the meeting of the Nomination Committee. The cooperative attorney shall examine the Nomination Request/Petition for accuracy and legality. If it complies the attorney shall file the Nomination Request/Petition with the Nomination Committee for its consideration.

Members shall apply to the cooperative for a Nomination Request/Petition form at least thirty (30) days prior to the meeting of the Nomination Committee.

The application must set forth the member's names, birth date, actual place of residence, membership number, length of time living at last residence, occupation, be signed by the member and notarized.

The Nomination Request/petition form shall request the Nomination Committee to nominate the member for the office of Director of the cooperative and shall state the district which the candidate will represent. This petition shall set forth the members name, place of residence, length of time living at the last residence, occupation, all business financial interest, all employment by the cooperative, date last worked for the cooperative if applicable, and be signed by the member. The petition shall be signed and dated by at least one hundred (100) bona fide current members of the cooperative actually living in the district to be represented by the member requesting nomination. Only one person shall be nominated per petition.

The Nomination Committee shall nominate as a candidate in all districts where there is an election any person who is duly qualified and duly requests to be nominated as a candidate, as set forth above the decision of the Nomination Committee shall final in respect to the qualifications of a member to serve on the Board of Directors and whether or not a proper request to be nominated has been made.

The list of nominations as a candidate shall be posted immediately at the principal office of the Cooperative. No write in votes shall be permitted in the election of the members of the Board of Directors. No nominations for the office of Director from the floor of the annual meeting of the members shall be permitted. Should the Nomination Committee select only one candidate from each district to run for the office of Director to fill the vacancy caused by the expiration of the Directors terms in accordance with Article IV, Section 3 of these Bylaws and should no candidate be nominated from the membership by written or printed petition as set forth in Article IV, section 5A of these Bylaws, then the Chairman of the Nomination Committee appointed by the Board of Directors pursuant to Article IV, Section 5 of these Bylaws, shall certify to the secretary of the Board that no petition has been filed pursuant to the Bylaws on nominations and the candidates selected by the Nomination Committee are therefore officially without opposition and the secretary of the Board will so announce at the annual membership meeting and the nominees shall be deemed elected to the Board without the necessity of mailing official ballots through the United States mail and following the election procedures set forth in these Bylaws. All of the remaining provisions of Article IV, Section 5 of these Bylaws not in conflict herein shall remain in full force and effect.

(b) Voting. Not less than thirty (30) days before the annual meeting it shall be the responsibility of the Secretary to have printed and to mail to each of the members a ballot which shall list by district the names of the candidates nominated by the committee, or by petition. With the ballot, the secretary shall include a return envelope: the return address envelop shall have the member's name and membership number printed on a (piggy-back) label. The return address envelop shall be pre-addressed to the Cooperative with postage prepaid. The secretary shall also mail, with the ballot, instructions for voting and returning the ballot to the Cooperative. The member shall vote the ballot by marking the box beside the candidate of choice; the member shall then place the ballot in the return address envelop and seal the return address envelop place it in the United States mail, or deliver the outer envelop to the Cooperative in person so that the ballot shall be received not less than ten days prior to the date of the annual meeting of members.

(c) Conduct of Election. At the regular meeting of the Board of Directors, which shall not be less than fifteen (15) days before the annual meeting, the Board of Directors shall appoint three election commissioners to supervise, conduct and canvass the election. They shall be bona fide residents of the area served by the Cooperative and shall not be active in any campaign for any candidate seeking election.

On the next regularly scheduled working day after the close of the ballot box or voting, the election commissioners shall meet at the principal office of the Cooperative for determining and counting all legal ballots, as follows: the election commissioner shall determine if the return address envelop is proper. Next, they shall examine the return address envelop to determine if it has a member name and membership number label. If the return address envelop is proper, the "piggy-back" label shall be removed from the return address envelop, counted and preserved. Then they shall open the return address envelop and separate the return address envelop from the ballot. All noncomplying return address envelopes shall be set aside and preserved, but shall not be opened or counted. The ballots shall then be examined to determine if they are properly voted. All ballots not properly voted shall be not counted, but preserved. Next, all properly voted ballots shall be counted, tabulated and preserved for a period of five days. After the votes are canvassed and tabulated the election commissioner shall issue a report of the election, certifying all action taken by the commissioners and the number of legal votes received by each of the candidates. The candidate receiving the highest number of legal votes shall be certified as the winner of each district. The original of the report of the election commissioners shall be submitted to the Board of Directors, and a copy shall be given to each of the candidates.

At the election count each candidate or his duly appointed representative shall be entitled to observe the count of the ballots and the action taken by the election commissioners.

Within three days after the completion of the count by the election commissioners, any candidate who is dissatisfied with the report may request in writing that the Board of Directors canvass the ballots. Upon such a request being made the Board of Directors shall conduct a proper recount of the ballots and thereafter adopt or reject the report of election commissioners.

SECTION 6. Removal of Directors by Members. Any member may bring sworn charges against a Board member and, by filing with the Secretary such sworn charges in writing together with a notarized petition signed by at least ten per centum of the members, or 300, whichever is greater, may request the removal of such Board member by reason thereof. Such director shall be informed in writing of the charge at least ten 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 to

present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such Board member shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

SECTION 7. Vacancies. Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of Board members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Board members for the unexpired portion of the term.

SECTION 8. Compensation. Board members shall not receive any salary for their services as such, except that the Board of Directors by resolution may authorize a fixed sum for each day or part thereof spent on Cooperative business such as attendance at meetings, conferences and training programs or performing committee assignments when authorized by the Board. A member may also be reimbursed for actual expenses necessarily incurred in carrying out such Cooperative business or granted a reasonable allowance in lieu of detailed accounting for some of these expenses.

No Board member shall be compensated for serving the Cooperative in any other capacity nor shall any member of the immediate family of a Board member be allowed to be a full-time employee of the Cooperative. A member of the immediate family of a Board member shall be construed to include husband and wife and children of either the husband and wife.

Compensation may be paid to a Board member or a member of their immediate family if such services were rendered on emergency basis.

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. Newly elected Board members shall be installed at this Board meeting. A regular meeting of the Board shall also be held monthly at such time and place within one of the counties served by the Cooperative as designated by the Board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. Special Meetings. Special meetings of the Board may be called by the Chairman or by two-thirds (2/3) of a majority of the Board members and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as hereinafter provided. The Chairman or Board members calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 3. Notice of Directors' Meetings. Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Board member either personally or by mail, by or at the direction of the secretary, or upon a default in duty by the secretary, by the Chairman or the Board members calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Board member at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

SECTION 4. Quorum. A majority of the board shall constitute a quorum, provided, that if less than such majority of the Board present may adjourn the meeting from time-to-time; and provided further, that the secretary shall notify any absent Board member of the time and place of such adjourned meeting. The act of the majority of the Board members present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these bylaws.

Should a majority of the Board be unable to serve because of catastrophe or other crisis the remaining members of the Board of Directors may meet and carry on the regular business of the Cooperative until new Board members are appointed. In case of the death of a majority of the Board members the remaining members may appoint Board members to fill vacancies to serve until next annual election.

ARTICLE VI OFFICERS

SECTION 1. Number. The officers of the Cooperative shall be a Chairman, Vice Chairman, President/General Manager, Secretary, Treasurer, and such other officers as may be determined by the Board from time-to-time. The offices of Secretary and of Treasurer may be held by the same person.

SECTION 2. Election and Term of Office. The officers shall be elected by the ballot, annually by 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 the Board. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgement the best interest of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring sworn charges against an officer, and by filing with the secretary such sworn charges in writing together with a notarized petition signed by ten per centum of the members or 300, whichever is greater, 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 ten 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 of 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 and voted upon at the next meeting of the members.

SECTION 4. Chairman. The Chairman shall:

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

SECTION 6. President/General Manager. The President/General Manager shall:

(a) in the absence of the Chairman and and Vice Chairman or in the event of their inability or refusal to act, the President/General Manager 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 President/General Manager shall also perform such other duties and shall exercise such authority as the Board may from time to time vest in him.

SECTION 7. 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 issuance 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 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 incorporations and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of the bylaws and of all amendments thereto to each 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 8. 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 the duties incident to the office of Treasurer and such other duties as from time-to-time may be assigned to him by the Board.

SECTION 9. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded in such sum 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 give bond 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 approved by the board, subject to the provisions of these bylaws with respect to compensation for Board member or member of their immediate family.

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 non-profit 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 electric 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 non-profit 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 expense 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. 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 of 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 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-rate 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 paid according to the Board's discretion, fairly and equitably, as directed by established Board policy.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such 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 representatives of his estate or surviving spouse 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 or surviving spouse shall agree upon: provided, however, that the financial condition of the Cooperative will not be impaired thereby. And, further provided that no payment of capital credits shall be made except to the extent said credits represent receipts in cash to the Cooperative.

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

SECTION 1. Disposition or Encumbering of Property. The Board of Directors may not sell, lease, lease-sale, exchange transfer or otherwise dispose of any of the cooperative's property except:

- (a) property that is not necessary in operating and maintaining the Cooperative system, but sales of such property shall not, in any one year exceed ten per centum (10%) in value of all the property of the Cooperative other than merchandise and property acquired for resale;
- (b) services for resale;
- (c) property acquired for resale, and
- (d) merchandise;

unless the Board shall first adopt by the affirmative vote of three-fourths of all directors a resolution recommending the transaction and directing the submission of the proposal to a vote of not less than the majority of the total members and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not sooner than ninety days after the giving of such notice to the members, provided that consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is held not sooner than ninety days after the giving of such notice.

If the Board of Directors looks with favor upon any proposal for sale, lease, lease-sale, exchange or transfer or other disposal of any of the Cooperative's properties and assets, it shall first cause three independent, non-affiliated appraisers, expert in such matters to render their individual opinions as to the value of the Cooperative with respect to sale, lease, lease-sale, exchange, transfer, or other disposition of all substantial all of the Cooperative's properties and assets, and as to any other terms and conditions which should be considered. The three such appraisers shall be designated by the Johnson Circuit Court Judge. If such judge refuses to make such designations, they shall be made by the Board of Directors.

If the Board of Directors, after receiving such appraisals (and other terms and conditions which are submitted, if any), determines that the proposal shall be submitted for consideration by the members, it shall first give every other electric cooperative situated and operating in Kentucky (which has not made such an offer) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric cooperative, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three appraisers. Such electric cooperative shall be given not less than ninety days during which to submit competing proposals, and the actual minimum period within which proposals, are to be submitted shall be stated in the written notice given to them.

Any (3) or more members, by so petitioning the Board not less than thirty days prior to date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternate positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

The Board of Directors of the Cooperative, without authorization by the members, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust and a security interest or interests upon, or the pledging and 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 in come therefrom, and of a note or notes or other instrument evidencing the indebtedness secured thereby, all upon such terms and conditions as the Board of Directors of the cooperative shall determine, to secure any obligation of the Cooperative, any provision of the Articles of Incorporation or bylaws of the Cooperative to the contrary notwithstanding.

SECTION 2. Merger or Consolidation. The Board of Directors may not merge or consolidate the Cooperative's property and assets with any other corporation except as otherwise provided by law unless the Board shall first adopt by the affirmative vote of three-fourths of all directors a resolution recommending the transaction and directing the submission of the proposal to a vote of not less than a majority of the total members and shall call a special meeting of the members of consideration thereof and action thereon, which meeting shall be held not sooner than ninety days after the giving of such notice to the members; provided, that consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is held not sooner than ninety days after the giving of such notice.

If the Board of Directors looks in favor upon any proposal for merger or consolidation of the Cooperative's properties and assets, it shall first cause three independent, non-affiliated appraisers, expert in such matters to render their individual opinions as to the value of the Cooperative with respect to merger or consolidation of all or substantial all of the Cooperative's properties and assets, and as to any other terms and conditions which should be considered. The three such appraisers shall be designated by the Johnson Circuit Court Judge. If such judge refuses to make such designations, they shall be made by the Board of Directors.

If the board of directors, after receiving such appraisals (and other terms and conditions which are submitted if any) determines that the proposal shall be submitted for consideration by the members, it shall first give every other electric cooperative situated and operating in Kentucky (which has not made such an offer) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric cooperative, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three appraisers. Such electric cooperatives shall be given not less than ninety days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

Any (3) or more members, by so petitioning the board not less than thirty days prior to date of such special or annual meeting, may cause the Cooperative with the cost to be borne by the Cooperative, to mail to all members any opposing or alternate positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

SECTION 3. Dissolution. The Board of Directors may not dissolve the Cooperative unless the Board shall first adopt by the affirmative vote of three-fourths of all directors a resolution recommending the transaction and directing the submission of the proposal to a vote of not less than the majority of the total members and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not sooner than ninety days after the giving of such notice to the members; provided, that the consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is held not sooner than ninety days after the giving of such notice.

SECTION 4. Evaluative Considerations. In connection with the exercise of its judgement in determining what is in the best interest of Big Sandy RECC and its members when evaluating any proposal for dissolution, merger, consolidation, sale of assets, lease, transfers, of other disposition of all or substantially all of the Cooperative's assets, the Board of Directors shall consider all of the following factors and other

factors which it deems relevant:

1. The societal and economic effects of the transaction upon the Cooperative's employees;
 2. The societal and economic impact of the transaction upon the community and service territories; and
 3. The long-term as well as short-term interest of the Cooperative and its members including the possibility that these interest may be best served by the continued existence of the Cooperative.
- SECTION 5. Alteration and Amendment to Bylaws.** Article VIII of the bylaws as amended and adopted shall take effect upon the affirmative vote of not less than three-fourths of all directors; and shall remain in effect until altered, amended or repealed by a similar vote of all directors and not less than a majority of the total members.

ARTICLE IX SEAL

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Kentucky."

ARTICLE X FINANCIAL TRANSACTIONS

SECTION 1. Contracts. Except as otherwise provided in these bylaws, the board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name 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/or countersigned by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time-to-time be determined by resolution of the Board.

SECTION 3. Deposits. All funds except petty cash of the Cooperative shall be deposited from time-to-time to the credit of the Cooperative in such bank or banks as the board may select.

SECTION 4. Change in Rates. Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy become effective.

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

ARTICLE XI MISCELLANEOUS

SECTION 1. Membership in Other Organizations. The Cooperative shall not become a member of or purchase stock in any other organizations without an affirmative vote of the members at a duly held meeting. The notice of which shall specify that action to be taken 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 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 Board member may waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or Board member at any meeting shall constitute a waiver of notice of such meeting by such member or Board member, except in case a member or Board member shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

SECTION 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 of the United States of America. The board shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. The yearly Financial Report shall be presented to the members in accordance with the Auditor's Report 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 services and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

SECTION 6. Rules of Order. Parliamentary procedures at all meetings of the members, of the Board of Directors, of any committee proved for in these Bylaws and of any other committee of the members of Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or Bylaws.

ARTICLE XII AMENDMENTS

These bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds of all of the directors at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. A copy of such alterations, amendments, or reasonable time after such action has been taken.

CERTIFICATE OF SECRETARY

The undersigned, being the Chairman and Secretary of Big Sandy Rural Electric Cooperative Corporation, does hereby certify that the foregoing Bylaws were duly adopted by the Board of Directors at a special meeting of the Board of Directors duly called and held on September 16, 1967, except that Article IV, Section 5 was duly adopted by the Board of Directors at a regular meeting duly called and held on April 3, 1970; the Article IV, Section 6 and Article VI, Section 3, were duly adopted by the Board of Directors at a regular meeting duly called and held on May 4, 1971; that Article VIII was duly adopted by the Board of Directors at a special meeting duly call and held on January 14, 1972; Revised Article VII, Section 2, April 5, 1974. Membership changed from \$10.00 to \$20.00 12/5/75. That amendment to Article IV, Section 2 9/2/77. Revised Article I, Section 5, 11/13/81. Revised Article III, Section 6, 2/5/82. Revised Article IV, Section 5b, 5c, 2/5/82. Revised Article V, Section 1, 2/5/82. Revised Article IV, Section 5b, 1/7/83. Article III, Section 4, Revised Oct. 7, 1983. Revised Article IV, Section 5, Aug. 16, 1985. Revised Article IV, Section 2, Section 4a, Section 5b, July 15, 1988. Revised Article VII, Section 2, paragraph 3, Sept. 16, 1988. Revised Article IV, Section 5b, January 1, 1990. Revised Article VI, July 20, 1990. Revised Article IV, Section 5 b & c, March 15, 1996. Revised Article IV, Sections 3 & 4 (d), revised Article VII added Sections 1, 2, 3, 4 & 5, April 18, 1997. Revised Article IV Section 3, 4 (a) & 5 (b & c) July 29, 2003. Revised Article IV Section 5a June 18, 2004.

Attest:

Kelly Shepherd, Secretary Wade May, Chairman