

BYLAWS OF

KENERGY CORP.

6402 OLD CORYDON ROAD - HENDERSON, KENTUCKY 42420

The purpose of **KENERGY CORP.** (hereinafter "Corporation") is to make electric energy available to its members at the lowest cost consistent with sound economy and good management and to provide other services to its members as permitted by law.

ARTICLE I

Members

Section 1. Qualifications. Any person, corporation or legal entity automatically becomes a member of the Corporation by making a written application for membership, paying the membership fee hereinafter specified and receiving electric service from the Corporation. Membership in the Corporation automatically terminates at such time as service is discontinued.

A husband and wife may jointly become a member by making an application for joint membership.

Section 2. Membership Fee. The membership fee in the Corporation shall be Five Dollars (\$5.00).

Section 3. 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 monthly at rates which shall from time to time be fixed by the Board of directors; provided however, that the Board of Directors may limit the amount of electric energy which the Corporation shall be required to furnish to any one member and a member may purchase less than all electric energy used on the premises if permitted by applicable tariff. 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 per month regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed to the Corporation as and when the same shall become due and payable.

Section 4. Non-liability for Debts of Corporation. The private property of the members of the Corporation shall be exempt from execution for the debts of the Corporation and no member shall be individually liable or responsible for any debts or liabilities of the Corporation solely by reason of being a member.

Section 5. Expulsion of Members. The Board of Directors of the Corporation may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the Articles of Consolidation of the Corporation or these bylaws or any rules or regulations adopted from time to time by the Board of Directors. Any member so expelled may be reinstated as a member by the vote of the Board of Directors or by a vote of the members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

Section 6. Withdrawal from Membership. Any member of the Corporation may withdraw from membership upon payment in full of all of the debts and liabilities to the Corporation and upon compliance with and performance of such terms and conditions as the Board of Directors may prescribe.

Section 7. Transfer and Termination of Membership. Membership in the Corporation and a certificate representing the same shall not be transferable, except as hereinafter otherwise provided, and upon the death, cessation of existence, expulsion, or withdrawal of a member the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the Corporation.

A membership may be transferred by a sole member jointly to himself or herself and his or her spouse, as the case may be, upon the written request of such

member and compliance by such husband and wife jointly with the provisions hereof. Such transfer shall create a joint membership and shall be recorded on the books of the Corporation.

When a membership is held jointly by a husband and wife, upon the death of either such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and upon the recording of such death on the books of the Corporation the certificate may be reissued to and in the name of such survivor; provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Corporation.

Section 8. Member Resource Committee, Commercial Resource Committee and Industrial Resource Committee.

(a) It shall be the duty of the board of directors to appoint a Member Resource Committee for each district, each committee to be composed of at least five (5) and a maximum of ten (10) members residing in the district. The appointment of a husband and wife who have a joint membership shall constitute the appointment of one member to the committee and the husband and wife shall have only one vote on all committee matters.

(b) It also shall be the duty of the board of directors to appoint a Commercial Resource Committee composed of one representative from each of the commercial and small industrial members that are: (1) not eligible to have a representative serve on the Industrial Resource Committee and (2) in the top 100 revenue accounts during the 12 months prior to having a representative serve on the committee. The Commercial Resource Committee may include representatives of up to 30 commercial and small industrial members.

(c) It also shall be the duty of the board of directors to appoint an Industrial Resource Committee composed of one (1) representative from each large industrial member. A large industrial member shall have contract demand of at least 1000 kw.

(d) No officer or member of the board of directors shall be appointed a member of the above three (3) committees. The purpose of these committees shall be to foster good relations between the Corporation and its members.

Section 9. Contractually Bound. The members of the Corporation, by dealing with the Corporation, acknowledge that the terms and provisions of the Articles of Consolidation and bylaws shall constitute and be a contract between the Corporation and each member, and both the Corporation and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions.

ARTICLE II

Meetings of Members

Section 1. Annual Meetings. The annual meeting of the members shall be held on such date in each year as annually fixed by the board of directors. The annual meeting shall be held at such place in a county served by the Corporation as the board may designate.

Section 2. Special Meetings. Special meetings of the members may be called by the chairman, by at least five (5) directors or upon a written request signed by at least ten percent (10%) of all of 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 the counties served by the Corporation as specified by the board of directors in the notice of the special meeting.

Section 3. Presiding Officer. The chairman, or a person designated by the chairman, shall act as chairman and preside at each annual or special meeting of the members.

Section 4. Notice of Members' Meetings. Notice of an annual or special meeting of the members shall be given by mail or by publication in at least one issue of all newspapers of general circulation in the Corporation's service area. The notice shall be mailed or published at least five (5) days and not more than thirty (30) days before the date fixed for the meeting. The notice shall state the place, date and hour of the meeting

and, in case of a special meeting, the purpose or purposes for which the meeting is called. In the case of a joint membership, notice given to either husband or wife shall be deemed notice to both members.

Section 5. Failure to Receive Notice. The failure of any member to receive any such notice of an annual meeting or special meeting of the members shall not invalidate any action which may be taken by the members at any such annual or special meeting.

Section 6. Quorum. At least fifty (50) of the members present in person shall constitute a quorum for the transaction of business at all meetings of members. In case of a joint membership, the presence at a meeting of either husband or wife, or both, shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present may adjourn the meeting without further notice.

Section 7. Voting.

(a) Each member shall be entitled to one (1) vote and no more on each matter submitted to a vote of the members. A joint membership shall be entitled to one (1) vote; if a husband and a wife do not have a joint membership, the nonmember spouse may not vote for the member spouse. The election of directors shall be by mail ballot as provided in Article III, Section 4 of these bylaws. All other matters shall be voted on at a meeting of the members or by mail ballot as determined by the board of directors, unless these bylaws specify the manner of voting. If a matter is voted on at a meeting, the question shall be decided by a majority of the members present. Proxy voting shall not be permitted.

(b) Only members whose membership results from electric energy being furnished in a particular district may vote for a director to be elected from that district ("district director"). If the member is furnished electric energy by the Corporation in more than one district, then the member shall be eligible to vote in the district of largest consumption during the 12 month period immediately preceding the election; provided that such member shall be permitted to vote in the district of the member's primary

residence upon written request. Only large industrial members (contract demand of at least 1000 kw) may vote for an industrial director. Large industrial members shall not be permitted to vote for a district director. The vote of a large industrial member shall be cast by the highest ranking local official of that member or his designee.

Section 8. Member Placing Proposal on Agenda. Any legitimate proposal, as determined by the board, may be placed on the agenda of the annual meeting by any member filing the proposal with the secretary not less than 120 days prior to the meeting. If the proposal requires a vote of the members, the board of directors shall decide whether it shall be voted on by the members at the annual meeting or shall be voted on by mail ballot.

Section 9. Order of Business. The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows:

1. The chairman, or designee, shall ascertain the presence of a quorum
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver of notice of the meeting, as the case may be
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon or the waiver of such reading
4. Presentation and consideration of, and acting upon, reports of officers, directors, and committees
5. Report on election of directors and results of any other voting by mail ballot or by members present and voting at the meeting
6. Unfinished business
7. New business
8. Adjournment

ARTICLE III

Directors

Section 1. General Powers. The business and affairs of the Corporation shall be managed by a board of directors which shall exercise all of the powers

of the Corporation except such as are by law or the Articles of Consolidation or by the bylaws conferred upon or reserved to the members.

Section 2. Qualifications; Election and Term of Office.

(a) Each director elected from a district must be an individual, a member of the Corporation and a resident of the district from which he or she is elected, and must remain a resident of such district during the term of office. Each director elected as an industrial director shall be a resident of a county, all or a portion of which is located within the territory served by the Corporation. The industrial director shall be a member or the employee of a member that has contract demand of at least 1000 kw. These requirements shall continue to apply during a director's term in office.

When a membership is held jointly by a husband and wife, either one, but not both, may be elected director. A former employee of the Corporation shall not be eligible to become a director until employment has been terminated for five (5) consecutive years. A director must have legal capacity to enter into a binding contract.

No employee of the Corporation shall be a director during the term of such employment. No member of the immediate family of an employee of the Corporation shall serve as a director of the Corporation during the term of such employment. For purposes of this requirement, the "immediate family" of an employee is defined as (i) parent, child, spouse, sibling, step-parent, step-child, mother-in-law, father-in-law, son or daughter-in-law, aunt, uncle, grandparent, or grandchild, niece, nephew, and (ii) any person who is living in the same household as the employee.

In addition, to become and remain a director, a person must:

- (i) Have the capacity to enter into legally binding contracts;
- (ii) Prior to becoming a director graduate from high school or earn an equivalent degree or certification;
- (iii) Not be convicted of, or plead guilty to a felony; and
- (iv) Not breach the director's fiduciary duties to the cooperative, violate confidences, or engage in illegal activity under the color of authority as a director.

(b) The Corporation shall have eleven (11) members of the board of directors. Ten (10) of the directors shall be elected from districts which shall be determined by the board of directors and each one shall be referred to as a “district director.” One director shall be elected by large industrial members having contract demand of at least 1000 kw and shall be referred to as “industrial director.” The right to increase or decrease the number of directors and to change the number or boundaries of districts shall at all times be reserved in the board.

(c) Beginning with the annual meeting of the members of the Corporation in the year 2002 district directors from Districts 2, 7 and 10 shall be elected for one year, district directors from Districts 1, 3 and 5 shall be elected for two (2) years and district directors from Districts 4, 6, 8 and 9 shall be elected for three (3) years. As terms expire the successor district directors shall be elected for three (3) year terms.

(d) Beginning with the annual meeting of the members of the Corporation in the year 2002 there shall be elected one industrial director for a term of three (3) years. As a term expires a successor industrial director shall be elected for a three (3) year term.

(e) All directors, except those elected to fill an unexpired term caused by vacancy, shall be elected by members of the Corporation as set forth in Article II, Section 7(b). Directors shall be elected by mail ballot as hereinafter provided.

(f) Retiring directors may, at the discretion of the board, serve as director emeritus. A director emeritus may participate in board meetings, but shall have no voting privilege.

Section 3. Nominations; Credentials and Election Committee.

(a) Any fifteen (15) or more members may make nominations of eligible persons for district director and any five (5) or more large industrial members may make nominations of eligible persons for industrial director. Such nominations shall be by signed written petition and shall be submitted to the Corporation not less than 110 days prior to the annual meeting. The Secretary shall post the names of persons nominated by petition at the principal office of the Corporation. Only members eligible to vote in a

district are authorized to sign a petition nominating a member from that district, and only those eligible to vote in an industrial director election are authorized to sign a petition nominating a person for industrial director. Directors shall be elected only from nominations by petition as above set out.

(b) The board of directors shall appoint a Credentials and Election Committee consisting of three (3) members who shall be responsible for verifying the signatures on the petition, validating the election results and performing such other acts as may be determined by the board of directors. Members of this committee shall not come from a district in which an election is being held, or from a large industrial member if an industrial director is being elected, and no member of the board of directors shall be appointed to this committee. Persons shall be notified promptly regarding the validity of the petition. Each nominee for a vacancy that is contested shall be entitled to appoint one (1) member who is neither on the committee nor a board member to serve as an observer of the acts of the committee in counting the votes and validating the election results.

Section 4. Election of Directors.

(a) Ballot. Ballots shall be in the form approved by the board of directors and shall be marked "Official Ballot." A separate ballot shall be prepared by the Corporation for each district director election and for the industrial director election only if the election is being contested. The order of appearance of the candidates' names shall be determined by a drawing. The ballot shall be prepared so that it clearly indicates the district from which a director is being elected with the list of candidates appearing under each such district. The ballot shall note that the member should mark same for only one (1) candidate in each district. Write-in voting shall not be permitted.

The ballot shall not be prepared in such a manner to make it possible to determine the identity of the member voting it. The ballot shall state that in order for it to be valid and counted, it must be received at the principal office of the Corporation, or any service center, by mail or personal delivery, prior to 4:30 P.M. three (3) business days preceding the annual meeting of the members.

(b) Candidate's Resume and Picture. At least 105 days prior to the annual meeting each candidate in a contested election may furnish to the Corporation a resume of background and qualifications and a recent picture of the candidate. These (or an edited version) shall be furnished to the members along with the ballots.

(c) Eligibility for Voting; Mailing of Ballots to Members. All members in good standing 30 days prior to the annual meeting shall be eligible to vote. Ballots shall be mailed to each member eligible to vote not more than 30 nor less than 20 days prior to the date set for the annual meeting. Upon presentation by a member of an affidavit certifying that said member did not receive a ballot by mail, a duplicate ballot shall be provided to the member; the affidavit shall be presented in person by the member at the corporation's head-quarters or at any service center.

(d) Voting and Returning of Ballots. To be valid and counted ballots must be received at the principal office of the Corporation, or any service center, by mail or personal delivery, prior to 4:30 P.M. three (3) business days preceding the annual meeting date. The Corporation shall keep all ballots received in a secure place.

(e) Counting Ballots. The Credentials and Election Committee shall meet at 9:00 o'clock A.M. two (2) business days prior to the date set for the annual meeting for the purpose of counting the ballots. As the ballots are counted, the validity of each ballot shall be determined. Any member of the Committee may challenge a ballot and a ballot may be disqualified by a majority vote of the Committee.

The following shall not be counted:

- (1) Unmarked ballots
- (2) Ballots marked for more than one (1) candidate for any one (1) vacancy
- (3) Ballots other than the official ballot mailed
- (4) Ballots arriving late

The following may be counted:

- (1) Ballots on which the mark is not in the place provided, but the intention of the voter is shown

(2) Ballots on which there is an erasure or change of intention shown, but it does not appear that the ballot has been tampered with and the intention of the voter is shown

(f) Certification of Results; Commencement of Term. The Credentials and Election Committee shall by the signature of a majority of its members certify the number of votes received by each candidate in a contested election. The candidate for director in each district and the candidate for industrial director receiving the highest number of votes as certified by the Committee shall be the person elected. If the highest number of votes are received by more than one (1) candidate, the Committee shall, at a meeting at a time and place to be fixed by them, at which due notice shall have been given to the candidates tying with the highest number of votes, cause the candidates or their representatives, or in the absence of a candidate or a representative, the chairman of the Committee to draw for the office, and the person drawing the slip marked "elected" shall be the person so elected. Candidates in uncontested elections shall automatically be deemed elected. The results of the elections, both contested and uncontested, shall be reported to the members by the chairman of the Committee at the annual meeting, or in the absence of the chairman, the board chairman or his designee. Successful candidates shall take office at the next regular monthly meeting of the board of directors.

Section 5. Removal of Directors for Absence. Any board member who is absent from three (3) consecutive regular meetings of the board, unless excused by the affirmative vote of a majority of the other board members, shall be deemed to have vacated his or her office. After declaring the vacancy to exist, the remaining board members shall proceed to fill the vacancy.

Section 6. Vacancies. Vacancies occurring in the board of directors may be filled by a majority vote of the remaining directors and a director thus elected shall serve for the remainder of the unexpired term of the vacancy being filled. A member elected as district director to fill a vacancy must reside in the same district as the director whose office is being succeeded.

Section 7. Removal of a Director by Members. Any member may bring charges for cause against a director by filing them in writing with the secretary, together with a petition signed by at least ten percent (10%) of the members eligible to vote in the director's district, requesting the removal of such director by reason thereof. If the director is the industrial director the petition shall be signed by a majority of the large industrial members. The charge shall be considered by the members at the next annual meeting or at a specially called meeting. The director against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges shall have the same opportunity.

By a majority vote of the members present at the meeting when the charges are considered, the question of such removal shall be submitted to the members within ninety (90) days following said meeting by mailing a ballot to each member setting forth the question of such removal so that it may be answered "Yes" or "No," and the ballots shall be required to be returned within fifteen (15) days after they are mailed. The ballots shall be counted by three (3) impartial members appointed by the board for this purpose.

If the question of removal is voted in the affirmative, the vacancy shall be filled in accordance with Article III, Section 6 of these bylaws.

Section 8. Fees and Expenses. By resolution of the board of directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting authorized by the board of directors. Except in emergencies, no director shall receive compensation for serving the Corporation in any other capacity.

Section 9. Rules and Regulations. The board of directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Consolidation of the Corporation, or these bylaws, as it may deem advisable for the management, administration, and regulations of the business and affairs of the Corporation.

Section 10. Accounting System and Reports. The board of directors shall cause to be established and maintained a complete accounting system, which, among

other things, shall be subject to applicable laws and rules and regulations of any regulatory body. The board shall also after the close of each audit or 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.

ARTICLE IV

Meetings of Directors

Section 1. Regular meetings. A regular meeting of the board of directors shall be held monthly at such time and place as the board of directors 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 of directors may be called by the Chairman or any three (3) directors. The person or persons authorized to call special meetings of the board of directors may fix the time and place for the holding of any special meeting of the board of directors called by them. Special meetings of the board of directors may be held at any place within the counties served by the Corporation as specified by the board of directors in the notice of the special meeting.

Section 3. Meetings by Telephone or Similar Communications. Any or all directors may participate in any regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during this meeting. A director participating in a meeting by this means shall be deemed to be present in person at the meeting.

Section 4. Notice. Notice of the time, place and purpose of any special meeting of the board shall be given at least two (2) days previous thereto, by written notice, delivered personally, mailed, or sent by facsimile, or other electronic means to each director at his or her known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the

transaction of any business because the meeting shall not have been lawfully called or convened.

Section 5. Quorum. A majority of the board of directors shall constitute a quorum for the transaction of business at any meeting of the board of directors, provided that if less than a majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 6. Manner of Acting. The act of the majority of the directors present and voting at a meeting at which a quorum is present shall be the act of the board of directors.

ARTICLE V

Officers

Section 1. Number. The officers of the Corporation shall be a Chairman, Vice Chairman, Treasurer, Secretary, and Assistant Secretary and such other officers as may be determined by the board of directors from time to time. The Assistant Secretary is not required to be a member of the board of directors. 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 ballot, annually by and from the board of directors at the first meeting of the board of directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the board of directors following the next succeeding annual meeting of the members, or until a successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

A person shall not be eligible to hold the same office after three (3) consecutive one year terms; however, the eligibility shall be restored following one year's absence from said office. This limitation on terms shall not apply to the office of Assistant Secretary.

Section 3. Removal. Any officer or agent elected or appointed by the board of directors may be removed by the board of directors whenever in its judgment the best interests of the Corporation will be served thereby.

Section 4. Vacancies. Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the board of directors for the unexpired portion of the term.

Section 5. Chairman. The Chairman shall:

(a) Preside at all meetings of the members and of the board of directors.

(b) Sign, with the Secretary, documents which shall have been authorized by resolution of the board of directors, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the board of directors or by these bylaws, 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 of directors from time to time.

Section 6. 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 and shall perform such other duties as from time to time may be assigned by the board of directors.

Section 7. Secretary. The Secretary shall perform or cause to be performed the following:

(a) Keep the minutes of the members and the board of directors in one or more books provided for that purpose;

(b) Assure that all notices are duly given in accordance with these bylaws or as required by law;

(c) Be custodian of the corporate records and of the seal of the Corporation;

(d) Have general charge of the books of the Corporation in which a record of the members is kept;

(e) Keep on file at all times a complete copy of the Corporation bylaws containing all amendments thereto, which copy shall always be open to the inspection of any member; and

(f) In general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the board of directors.

Section 8. Assistant Secretary. In the absence of the Secretary or in the event of the Secretary's inability or refusal to act, the Assistant Secretary shall perform the duties of the Secretary, and when so acting shall have the powers of and be subject to all of the restrictions upon the Secretary, and shall further perform such other duties as from time to time may be assigned by the board of directors.

Section 9. Treasurer. The Treasurer shall perform or cause to be performed the following:

(a) The safekeeping and security of all funds and securities of the Corporation;

(b) Receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys 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) All the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the board of directors.

Section 10. President and Chief Executive Officer. The board of directors shall appoint a person as President and Chief Executive Officer who may be, but who shall not be required to be, a member of the Corporation. The President and Chief Executive Officer shall serve at the pleasure of the board and shall perform such duties as the board of directors may from time to time direct.

Section 11. Bonds of Officers. The board of directors may require the Treasurer or any other officer of the Corporation charged with responsibility for the

custody of any of its funds or property, to give bond in such sum and with such surety as the board of directors shall determine. The board of directors in its discretion may also require any other officer, agent, or employee of the Corporation to give bond in such amount and with such surety as it shall determine.

Section 12. Reports. The officers of the Corporation shall submit, or cause to be submitted, at each annual meeting of the members reports covering the business of the Corporation for the previous fiscal year and showing the conditions of the Corporation at the close of such fiscal year.

ARTICLE VI

Contracts, Checks, and Deposits

Section 1. Contracts. Except as otherwise provided in these bylaws, the board of directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of 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 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 of directors.

Section 3. Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such bank or banks as the board of directors shall select.

ARTICLE VII

Evidence of Membership; Fees

Section 1. Evidence of Membership. A certificate or other written evidence of membership shall not be issued.

Section 2. Membership Fees. No membership shall be permitted for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid.

Section 3. Withdrawal or Termination of Membership. In case of withdrawal or termination of membership in any manner, the Corporation 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 debts or obligations owed by the member to the Corporation.

ARTICLE VIII

Nonprofit Operation; Capital Credits

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

Section 2. Patronage in Connection With Furnishing Electric Energy. In furnishing of electric energy, the Corporation's operations shall be so conducted that all patrons, members, and nonmembers alike, 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, members and nonmembers alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Corporation are received with the understanding that they are furnished by the patrons, members, and nonmembers as capital. The Corporation shall credit 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. The capital account of any patron shall have the same status as though it 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.

Provided, however, any net loss or negative margin which the Corporation may sustain in any fiscal year from its entire operations, including both operating and nonoperating margin, insofar as permitted by law, may be carried forward to succeeding fiscal year or years and deducted from the net margin for any fiscal year of the Corporation from its entire operation, including both operating and nonoperating margin, until such net loss or negative margin is entirely dissipated. The Capital allocated to the patrons as provided in the first paragraph of this section of the bylaws for any fiscal year shall be the amount remaining after there has been deducted any loss for previous fiscal year or years 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 of directors 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. The board of directors may retire capital credits attributable to any prior fiscal year without giving priority to capital first received and credited.

Capital credited to the account of each patron shall be assignable only with approval of the board of directors. In the event that a nonmember patron shall elect to become a member of the Corporation, the capital credited to the account of such nonmember patron may be applied by the Corporation toward the payment of a membership fee on behalf of such nonmember patron.

Provided, however, that the board of directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Corporation by an organization furnishing electric service to the Corporation. Such rules shall:

(a) Establish a method for determining the power supply portion of capital credited to each patron for each applicable fiscal year

(b) Provide for separate identification on the Corporation's books of a power supply portion of capital credited to the Corporation's patrons

(c) Provide for appropriate notifications to patrons with respect to their accounts, and

(d) Preclude a general retirement of the power supply portion of capital credited to patrons for a fiscal year until the payment therefor is actually received from the power supplier.

Notwithstanding any other provisions of these bylaws, the board of directors, at its discretion, shall have the power at any time upon the death of any member who is a natural person, if the legal representatives of such decedent's estate shall request in writing that the capital credited to any such patron from such service to be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the board of directors acting under policies of general application, and the legal representative of such patron's estate shall agree upon; provided, however, that the financial condition of the Corporation will not be impaired thereby.

Section 3. Patronage Refunds in Connection With Furnishing Other Service. In the event that the Corporation should engage in the business of furnishing goods or services other than electric energy, all amounts properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons, members, and nonmembers alike, from whom such amounts were obtained.

Section 4. Recovery of Delinquent Amounts Owed. Upon retiring capital credits allocated to a patron or former patron, the Corporation may recoup, offset, or setoff any delinquent amount owed to the Corporation by the patron or former patron, including any compounded interest and late payment fee, by reducing the amount of retired capital credits paid to the patron or former patron by the amount owed.

ARTICLE IX

Waiver of Notice

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

ARTICLE X

Encumbering or Disposing of Property

Section 1. Encumbering Property. The board of directors, without authorization by the members, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages 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, upon such terms and conditions as the board of directors shall determine, to secure any obligation of the Corporation.

Section 2. Disposing of Property. The board may sell any of the following property without authority from the members:

(a) Property that is not necessary in operating and maintaining the system, but sales of such property shall not in any one year exceed ten percent (10%) in value of all the property of the corporation other than merchandise and property acquired for resale;

(b) Services and electric energy;

(c) Property acquired for resale; and

(d) Merchandise.

ARTICLE XI

Indemnification of Directors, Officers, Employees and Agents:

Liability of Directors to Corporation

Section 1. Indemnification of Directors. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending, or completion action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact he or she,

or a person of whom he or she is a legal representative, is or was a director, or while a director, serves or served at the Corporation's request as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Kentucky Business Corporation act, as the same exists or may hereafter be amended (but in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than the Kentucky Business Corporation Act permitted the Corporation to provide prior to such amendment), against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such director in connection with any such proceeding. Such indemnification shall continue as a director who has ceased to be a director and shall inure to the benefit of the director's heirs, executors and administrators. Except with respect to proceedings to enforce rights to indemnification by a director, the Corporation shall indemnify any such director in connection with a proceeding (or part thereof) initiated by such director only if such proceeding (or part thereof) was authorized by the board of directors of the Corporation. The right to indemnification conferred in this Article shall be a contract right.

Section 2. Advance of Expenses. The corporation shall pay for or reimburse the actual and reasonable expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding if the director furnishes the Corporation:

(a) a written affirmation of the director's good faith belief that the director's conduct met the standard of conduct described in Kentucky Revised Statutes 271B.8-510 or successor provisions; and

(b) a written undertaking, executed personally or on the director's behalf, to repay any advances if it is ultimately determined that the director is not entitled to indemnification for such expenses under this Article or otherwise. The undertaking

must be an unlimited general obligation of the director but need not be secure and may be accepted without reference to the director's financial ability to make repayment.

Section 3. Indemnification of Officers, Employees, and Agents. The Corporation shall indemnify and advance expenses to officers to the same extent as directors, and may indemnify employees or agents who are not directors or officers to the extent permitted by the Articles of Consolidation, the Bylaws, or by law.

Section 4. Insurance. The Corporation may purchase and maintain insurance, at its expense, on behalf of an individual who is or was a director, officer, employee, or agent of the Corporation or who, while a director, officer, employee, or agent of the Corporation, is or was serving at the request of the Corporation as a director, officers, or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against liability asserted against or incurred by him or her in such capacity or arising from his status as a director, officer, employee, or agent, whether or not the Corporation would have power to indemnify him or her against the same liability under this Article.

Section 5. Liability of Directors to Corporation. No director of the corporation shall be personally liable to the corporation or its members for monetary damages for breach of his or her duties as a director, except for liability (i) for any transaction in which the director's personal financial interest is in conflict with the financial interests of the corporation or its members, or (ii) for acts or omissions not in good faith or which involve intentional misconduct or are known to the director to be a violation of law, or (iii) for any vote for or assent to an unlawful distribution to members or other conduct prohibited under KRS 271B.8-330, or (iv) for any transaction from which the director derived an improper personal benefit. If the general corporation laws of Kentucky are amended after the effective date of this Article to authorize corporate action further limiting the personal liability of directors, then the liability of a director of the corporation shall be limited to the fullest extent permitted by such general corporation laws as so amended. Any repeal or modification of this Article by the members of the corporation

shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

ARTICLE XII

Fiscal Year

The fiscal year of the Corporation shall begin on the first day of January of each year and end on the thirty-first day of December of the same year.

ARTICLE XIII

Membership in Other Organizations

The Corporation may become a member of or purchase stock in any other organization without obtaining approval of the members.

ARTICLE XIV

Seal

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

ARTICLE XV

Location of Headquarters

The headquarters of the Corporation shall be located at 6402 Old Corydon Road, Henderson, Kentucky 42420.

ARTICLE XVI

Amendments

These bylaws may be altered, amended, or repealed at any regular or special meeting by the affirmative vote of not less than two-thirds (2/3) of all the directors eligible to vote, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal. If notice of the meeting is not required (see Article IV, Section 1) then notice of the meeting at which the vote will be taken, containing a copy of the proposed alteration, amendment or repeal, shall be given at least 10 days prior to such meeting.

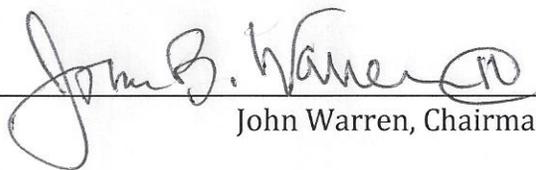
ARTICLE XVII

Rules of Order

Parliamentary procedure at all meetings of the members, of the board of directors, of any committee provided for in these bylaws, and of any other committee of the members or board of directors which may from time to time be duly established shall be governed by the most recent edition of The Standard Code of Parliamentary Procedure, also known as Sturgis Rules of Order, except to the extent such procedure is otherwise

determined by law or by the Corporation's Articles of Consolidation or bylaws.

As adopted July 1, 1999, and as amended
August 7, 2001, December 3, 2002,
January 11, 2007, June 10, 2008,
July 8, 2008, May 12, 2009, July 10, 2012,
and April 9, 2013


John Warren, Chairman

ATTEST: 
William Reid, Secretary