

BY-LAWS
OF
THE ARK VALLEY ELECTRIC
COOPERATIVE ASSOCIATION, INC.



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The Ark Valley Electric Cooperative Association, Inc., is dedicated to providing safe, reliable, high quality electric energy to its members at the lowest cost, while striving to improve the quality of life for all its members and adhering to cooperative principles.

BY-LAWS

OF

THE ARK VALLEY ELECTRIC

COOPERATIVE ASSOCIATION, INC.

ARTICLE I

MEMBERSHIP

SECTION 1.01. **Requirements for Membership.** Any person, firm, association, corporation, or body politic or subdivision thereof may become and remain a member of the Ark Valley Electric Cooperative Association, Inc., (hereafter called the “Cooperative”) by:

- (A) Being capable to enter into a legally binding contract;
- (B) Filing a written application for membership therein;
- (C) Agreeing to purchase, consume, receive, or otherwise use from the Cooperative electric energy as hereinafter specified; and
- (D) Agreeing to comply with and be bound by the Articles of Incorporation and By-Laws of the Cooperative, and any rules and regulations adopted by the Board of Trustees.

No member may hold more than one (1) membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these By-Laws.

SECTION 1.02. **Membership Records.** Membership in the Cooperative shall be maintained in such form as shall be determined by the Board of Trustees. Except as provided by the Board of Trustees, a person may not inspect, copy, or receive a copy of all or part of the membership records; nor may such records be sold, transferred, disclosed, distributed, or otherwise disposed of.

SECTION 1.03. **Joint Membership.** A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1.01 of this article, may be accepted for such membership. The term “member” as used in these By-Laws 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 to the holders of a joint membership shall be as follows:

- (A) The presence at a meeting of either or both shall be regarded as the presence of one (1) member, and shall have the effect of revoking a proxy executed by either or both and of constituting a joint waiver of notice of the meeting;
- (B) The vote of either separately or both jointly shall constitute one (1) joint vote;
- (C) A proxy executed by either or both shall constitute one (1) joint proxy;
- (D) A waiver of notice signed by either or both shall constitute a joint waiver;
- (E) Notice to either shall constitute notice to both;
- (F) Expulsion of either shall terminate the joint membership;
- (G) Withdrawal of either shall terminate the joint membership; and
- (H) Either but not both may be elected or appointed as an officer or Trustee, provided that both meet the qualifications for such office.

SECTION 1.04. 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, By-Laws, and rules and regulations adopted by the Board of Trustees. The changed membership status shall be recorded on the books and records of the Cooperative.

(B) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. In such a situation, the estate of such deceased spouse shall not be released from any debts due the Cooperative.

(C) Joint members shall notify the Cooperative in writing of a cessation of marriage, cessation of the legally recognized relationship, or failure to occupy the same location for which the Cooperative provides electric energy. Upon determining or discovering the cessation of marriage, cessation of the legally recognized relationship, or failure to occupy the same location for which the Cooperative provides electric energy, and if one joint member remains qualified to be a member, the joint membership shall convert to a membership comprised of the qualified person.

(D) If a member, who is not a party to a joint membership, dies without the Cooperative's knowledge, and if a close relative of the deceased member uses Cooperative electric energy at the location previously occupied by the deceased member, then, until the Cooperative learns of the member's death or terminates the deceased member's membership, the deceased member's membership is transferred to the close relative.

SECTION 1.05. Membership Fees, Other Fees. No initial membership fee shall be required, and all initial membership fees previously collected shall be refunded upon such terms and conditions as the Board of Trustees may prescribe. Further charges, including, but not limited to, connection charges and deposits, shall be made upon such terms and conditions as the Board of Trustees may prescribe.

SECTION 1.06. Purchase of Electric Energy. Each member shall, as soon as electric energy is available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefore monthly at rates which shall from time to time be fixed by the Board of Trustees; production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. The Board of Trustees may limit the amount of electric energy the Cooperative shall be required to furnish to any one member. 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 By-Laws. 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 of Trustees from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable. Except as otherwise provided by the Board of Trustees, no member may sell, lease, or otherwise transfer electric energy provided by the Cooperative.

SECTION 1.07. Termination of Membership. Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Trustees may prescribe. The Board of Trustees of the Cooperative may, by the affirmative vote of not less than two-thirds of all the Trustees, expel any member who shall have refused or failed to comply with any of the provisions of the Articles of Incorporation, By-Laws, or rules and regulations adopted by the Board of Trustees, but only if such member shall have been given written notice by the Secretary of the Cooperative that such refusal or failure makes him liable to expulsion and such refusal or failure shall have continued for at least ten (10) days after such notice was given. Termination or expulsion of membership may occur, in a manner adopted by the Board of Trustees, when any member fails to pay all amounts owed by him to the Cooperative when the same become due and payable or when a member has tampered with, altered, interfered with, damaged, or impaired Cooperative equipment. Any expelled or terminated member may be reinstated by vote of the Board of Trustees at any time or by vote of the members at any annual or special meeting of the members.

SECTION 1.08. Effect of Termination of Membership. In case of withdrawal or termination of membership in any manner by a member who previously paid a membership fee, 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 owing from the member to the Cooperative; and provided further that any membership fee which has been paid, in whole or in part, by the application of capital credited to the account of a non-member patron as provided in these By-Laws, shall be repaid to the member only in accordance with the provisions of these By-Laws, with respect to the retirement of patronage capital.

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

SECTION 2.01. **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 By-Laws, 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 seven (7) years 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 2.02. **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 individually liable or responsible for any debts or liabilities of the Cooperative.

SECTION 2.03. **Grant of Property Rights.** As required by the Cooperative for a Cooperative purpose, a member shall provide, grant, or convey to the Cooperative safe and reliable access to, or use of, member property pursuant to the terms and conditions specified by the Board of Trustees in the rules and regulations.

ARTICLE III

MEETINGS OF MEMBERS

SECTION 3.01. **Annual Meeting.** The annual meeting of the members shall be held between the 15th day of March and the 15th day of April of each year at such time and place within the counties of Kingman, Reno, Rice, and Ellsworth, Kansas, as shall be designated by the Board of Trustees and set forth in the notice of the meeting, for the purpose of electing Trustees, passing upon reports for the previous fiscal year, and transacting such other business as may come before the meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative. Any annual meeting not held at the designated time or place, or subsequently rescheduled or moved, shall be determined by the Board of Trustees and set forth in the notice, or a re-issued notice, of meeting.

SECTION 3.02. **Special Meetings of the Members.** Special meetings of the members may be called by resolution of the Board of Trustees, or upon a written request signed by any three (3) Trustees, by the President, or by ten percent (10%) 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 the County of Reno, State of Kansas, specified in the notice of the special meeting.

SECTION 3.03. **Notice of Members' Meeting.** Written or printed notice stating the place, day, and hour of the meeting and, in the case of a special meeting or

an annual meeting of the members at which business other than that listed in Section 3.08 of this article is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days, nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each other. If mailed, such notice shall be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action that may be taken by the members at any such meeting.

SECTION 3.04. Quorum. Fifty (50) members present in person shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice, provided that the Secretary shall notify any absent members of the time and place of such adjourned meeting.

SECTION 3.05. Voting. Each member shall be entitled to only one (1) vote. All questions, except for the election of Trustees, shall be decided by a majority vote of the members voting thereon in person or by proxy, or by mail, if authorized by the Board of Trustees.

SECTION 3.06. Proxies. At all meetings of members, a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or at any adjournment of such meeting. No person shall vote as proxy for more than three (3) members on the election of Trustees, and no proxy shall be valid after sixty (60) days from the date of its execution. The presence of a member at a meeting of the members shall revoke a proxy theretofore executed by him, and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy.

SECTION 3.07. Mail Voting. Any member who is absent from an annual meeting or special meeting of the members may vote by mail at such meeting upon any motion or resolution submitted to the members by the Board of Trustees, and designated by the Board of Trustees to be subject to mail voting. The Secretary shall be responsible for enclosing with the notice an exact copy of such motion or resolution to be acted on, and such absent member shall express his vote thereon by placing a cross (X) in the space provided, therefore opposite each motion or resolution. Such absent member shall return his vote so marked in a sealed envelope bearing his name addressed to the Cooperative office. If such written vote so enclosed is received by the Cooperative on or before the commencement of the membership meeting, it shall be counted as the vote of the absent member at such meeting. In case of a joint membership, and both joint members are absent from

such meeting, a written vote from either shall constitute one joint vote. The failure of any absent member to receive a copy of such motion or resolution shall not invalidate any action taken by the members at any such meeting.

SECTION 3.08. Order of Business. The order of business at the annual meeting of the members and, so far as practical or desirable, and all other meetings of the members, shall be essentially as follows:

- (A) Report on the number of members present in person and the number of members present by proxy in order to determine the existence of a quorum.
- (B) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of the notice of the meeting, as the case may be.
- (C) Reading of unapproved minutes of previous meetings, or summary thereof, and the taking of necessary action thereon.
- (D) Presentation and consideration of reports of officers, Trustees, and committees.
- (E) Election of Trustees.
- (F) Unfinished business.
- (G) New business.
- (H) Adjournment.

Notwithstanding the foregoing, the Board of Trustees, or the members themselves, may from time to time establish a different order of business for the purpose of assuring the earlier consideration of an action upon any item of business in advance of any other item of business; provided that no business, other than adjournment of the meeting to another time and place, may be transacted until and unless the existence of a quorum is first established.

SECTION 3.09. Inspectors of Elections. Prior to a meeting of the members, each Trustee shall appoint one (1) member of the Cooperative to serve as an Inspector of Elections. Such member must not be a member of the nominating committee, an existing Cooperative official, close relative of a Cooperative official, a Trustee candidate, or a close relative of an existing Trustee candidate. At a meeting of the members, the Inspectors of Elections shall decide all disputes and questions regarding member registration, proxies, and voting; tabulate or count the member votes, including the vote results; and decide all questions and disputes regarding Trustee nominations. Unless otherwise specified by law, the Articles of Incorporation, or in these By-Laws, all meetings of members shall be governed by Roberts Rules of Order Newly Revised. As determined by the Board of Trustees, the Cooperative may reasonably compensate or reimburse the Inspectors of Elections.

ARTICLE IV TRUSTEES

SECTION 4.01. **General Powers.** The business and affairs of the Cooperative shall be managed by a Board of seven (7) Trustees who shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation, or these By-Laws conferred upon or reserved to the members.

SECTION 4.02. **Qualifications and Tenure.** Trustees shall be elected by ballot at each annual meeting of the members to fill the position of those whose terms of office shall have expired, by and from the members, to serve for a term of three (3) years, or until their successors shall have been elected and qualified. The members shall elect Trustees by a plurality vote of the members voting in person or by proxy. In the case of a tie, the remaining nominees shall cast lots to determine the winner. If the election of Trustees shall not be held on the day designated therein for the annual meeting, or at any adjournment thereof, the Board of Trustees shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. No person shall be eligible to become or remain a Trustee, or to hold any position of a trust in the Cooperative who:

- (A) Is not a member, or a majority stockholder of a member, or owner of a member, or chief executive officer of a member, and a bona fide resident, as defined by federal tax law, in the area served by the Cooperative; or
- (B) Is in any way employed by, financially interested in, or has a close relative who owns more than ten percent (10%) of a competing enterprise of a business selling electric energy or supplies to the Cooperative, or business primarily engaged in selling electrical fixtures or supplies to the members of the Cooperative; or
- (C) Immediately preceding said election, has served for four (4) successive terms as such Trustee; or
- (D) Is, or has been within the previous three (3) years, an employee of the Cooperative, an employee or agent of a union or other entity representing, or seeking to represent, Cooperative employees, or an employee of an entity in which the Cooperative is a member or owner; or
- (E) Is, or has been within the previous one (1) year, involved as a party in mediation, arbitration, lawsuit, or other legal action against or by the Cooperative.

Upon establishment of the fact that a Trustee is holding office in violation of any of the foregoing provisions, it shall immediately become incumbent upon the Board of Trustees to remove such Trustee from office. Prior to the vote to remove, the Board must give notification in writing of the basis for, and provide the Trustee with an opportunity to comment regarding, the proposed disqualification.

SECTION 4.03. **Nominations.** It shall be the duty of the Board of Trustees to appoint, not less than thirty (30) days nor more than one hundred twenty (120) days

before the date of a meeting of the members at which Trustees are to be elected, a committee on nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected from different sections of the service territory so as to ensure equitable representation. No member of the Board of Trustees may serve on such committee. The committee, keeping in mind the principle of geographical representation and diversity of rate classes, shall prepare and post at the principal office of the Cooperative at least twenty (20) days before the meeting a list of qualified nominations for Trustees; but any fifteen (15) or more members acting together may make other nominations by petition not less than fifteen (15) days prior to the meeting, and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. The Secretary shall mail with the notice of the meeting or separately, but at least ten (10) days before the meeting, a statement of the number of Trustees to be elected and the names and addresses of the candidates, specifying separately the nominations made by the committee and also the nominations made by petition, if any. Nothing contained herein shall, however, prevent additional nominations from the floor at the meeting of the members. Notwithstanding anything contained in this section, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of Trustees.

SECTION 4.04. Removal of Trustee by Members. Any member may bring charges against a Trustee by filing such charges in writing with the Secretary, together with a petition signed by at least ten percent (10%) of the members and request the removal of such Trustee by reason thereof. The Trustee against whom such charges have been brought shall be informed in writing of the charges at least five (5) days prior to the 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. The question of the removal of such Trustee shall be considered and voted upon at the next regular or special 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 4.05. Removal of Trustee by Board of Trustees. Any Trustee absent from three (3) out of any six (6) consecutive meetings of the Board of Trustees shall be removed from the Board, unless the Board of Trustees, by majority vote of the remaining Trustees, determines such absences should be excused. Any vacancy created by such removal shall be filled by the membership at the next annual or special meeting of the members, by vote of the members at such meeting, without compliance with the provisions with respect to nominations.

SECTION 4.06. Trustee Resignation. A Trustee may resign at any time. To resign, a Trustee must sign and deliver a written notice of resignation to the Board. Except if a later date is otherwise provided in a written notice of resignation, a Trustee's resignation is effective when received by the Board.

SECTION 4.07. **Vacancies.** Subject to the provision of these By-Laws with respect to the filling of vacancies caused by the removal of Trustees by the members, a vacancy occurring in the Board of Trustees shall be filled by the affirmative vote of a majority of the remaining Trustees for the unexpired portion of the term of the Trustee in respect of whom the vacancy occurs.

SECTION 4.08. **Compensation Expenses.** Trustees as such shall not receive any salary or benefits for their services, except the Board of Trustees may by resolution authorize a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs, or performing committee assignments when authorized by the Board. If authorized by the Board of Trustees, Trustees may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No Trustee shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a Trustee receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members, or the service by the Trustee or his close relative shall have been certified by the Board of Trustees as an emergency measure.

ARTICLE V MEETINGS OF TRUSTEES

SECTION 5.01. **Regular Meetings.** A regular meeting of the Board of Trustees shall be held without notice other than this By-Law, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Trustees shall also be held monthly at such time and place in Reno County, Kansas, as the Board of Trustees may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 5.02. **Special Meetings.** Special meetings of the Board of Trustees may be called by the President or by any three (3) Trustees, and it shall thereupon be the duty of the Secretary to cause notice of such meetings to be given as hereinafter provided. The President or Trustees calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 5.03. **Notice of Trustees' Meetings.** Written notice of the time, place, and purpose of any special meeting of the Board of Trustees shall be delivered not less than five (5) days previous thereto, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President, or the Trustees calling the meeting, to each Trustee. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Trustee at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

SECTION 5.04. **Quorum.** A majority of the Board of Trustees shall constitute a

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

SECTION 5.05. Conduct of Board Meeting. Except as otherwise provided in these By-Laws, a meeting of the Board of Trustees may be: (A) held outside the Cooperative's service territory if a resolution providing for the time and location of the meeting is previously adopted at a regular meeting of the Board of Trustees authorizing such meeting; or (B) conducted with absent Trustees participating, and deemed present in person, through any means of communication by which all Trustees participating in the Board meeting may hear each other.

ARTICLE VI OFFICERS

SECTION 6.01. Number. The officers of the Cooperative shall be a President, Vice-President, Secretary, Treasurer, and such other officers as may be determined by the Board of Trustees from time to time. The offices of Secretary and Treasurer may be held by the same person.

SECTION 6.02. Election and Term of Office. The officers shall be elected by ballot, annually, by and from the Board of Trustees at the meeting of the Board of Trustees held directly 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 of Trustees 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 of Trustees for the unexpired portion of the term.

SECTION 6.03. Removal of Officers and Agents by Trustees. Any officer or agent elected or appointed by the Board of Trustees may be removed by the Board of Trustees whenever in its judgment the best interests of the Cooperative will be served thereby. In addition to the Board removing an officer, any member of the Cooperative may bring charges against an officer by filing such charges in writing with the Secretary, together with a petition signed by ten percent (10%) of the members, and request the removal of the particular officer by reason thereof. The officer against whom such charges have been brought shall be informed in writing of the charges at least five (5) days prior to the 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. The question of the removal of such officer shall be considered and voted upon at the next regular or special meeting of the members.

SECTION 6.04. **Resignation of Officers.** Any officer may resign at any time. To resign, an officer must sign and deliver a written notice of resignation to the Board. Except if a later date is otherwise provided in a written notice of resignation, an officer's resignation is effective when received by the Board.

SECTION 6.05. **President.** The President shall:

- (A) Be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the Board of Trustees, shall preside at all meetings of the members and the Board of Trustees;
- (B) Sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board of Trustees to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Trustees or by these By-Laws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (C) In general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Trustees from time to time.

SECTION 6.06. **Vice-President.** In the absence of the President or in the event of his inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice-President shall also perform such other duties as from time to time may be assigned by the Board of Trustees.

SECTION 6.07. **Secretary.** The Secretary shall:

- (A) Keep, or supervise the keeping of, the minutes of the meetings of the members and of the Board of Trustees in one or more books provided for that purpose;
- (B) See that all notices are duly given in accordance with these By-Laws or as required by law;
- (C) Be custodian of the corporate records and of the seal of the Cooperative, and affix the seal of the Cooperative 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 By-Laws;
- (D) Keep, or supervise the keeping of, a register of the names and post office addresses of all members;
- (E) Have general charge of the books of the Cooperative in which a record of the members is kept;
- (F) Keep, or cause to be kept, on file at all times a complete copy of the Articles of Incorporation and By-Laws of the Cooperative consisting of all amendments thereto, which shall always be open to the inspection of any member, and at the expense of the Cooperative, forward a copy of the By-Laws and of all amendments thereto to each member; and

- (G) In general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board of Trustees.

SECTION 6.08. **Treasurer.** The Treasurer shall:

- (A) Have charge and custody of, and be responsible for, all funds and securities of the Cooperative;
- (B) Be responsible for the receipt of and the issuance of receipts for moneys due and payable to the Cooperative from any source whatsoever, and for the deposit of all such moneys in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these By-Laws; and
- (C) In general, perform 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 Trustees.

SECTION 6.09. **Manager.** The Board of Trustees may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the Board of Trustees may from time to time vest in him.

SECTION 6.10. **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 give a bond in such sum and with such surety as the Board of Trustees shall determine. The Board of Trustees 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 6.11. **Compensation.** The powers, duties, and compensation of any officer, agents, and employees shall be fixed by the Board of Trustees, subject to the provision of these By-Laws with respect to compensation for Trustees and close relatives of Trustees.

SECTION 6.12. **Reports.** The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

SECTION 6.13. **Delegation of Secretary's and Treasurer's Responsibilities.**

Notwithstanding the duties, responsibilities, and authorities of the Secretary and of the Treasurer hereinbefore provided, the Board of Trustees by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's duties to one or more agents, other officers or employees of the Cooperative. To the extent the Board does so delegate with respect to either such officer, that officer as such shall be released from such duties, responsibilities, and authorities.

ARTICLE VII

NON-PROFIT OPERATION

SECTION 7.01. **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 7.02. **Patronage Capital in Connection with Furnishing Electric Energy.**

(A) In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all patrons, members and nonmembers alike, will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure the Cooperative will operate on a non-profit basis, the Cooperative 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 Cooperative are received with the understanding that they are furnished by the patrons, members and nonmembers alike, as capital. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so, and the patron had then furnished the Cooperative corresponding amounts of capital. All other amounts received by the Cooperative from its operations in excess of costs and expenses, insofar as permitted by law, shall be (i) used to offset any losses incurred during the current or any prior fiscal year, and (ii) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

(B) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Trustees 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. The Board of Trustees shall determine the method, basis, priority, and order of retirement, if any, of capital credits. Before making such retirements, the Cooperative shall deduct from the member's capital account any debts owing from the member to the Cooperative.

(C) 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 of Trustees, acting under policies of general application, shall determine otherwise.

(D) Notwithstanding any other provision of these By-Laws, the Board of Trustees, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these By-Laws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Trustees, acting under policies of general application, the legal representatives of such patron's estate shall agree upon; provided, however, the financial condition of the Cooperative will not be impaired thereby.

(E) The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and By-Laws 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 By-Laws shall be called to the attention of each patron in a manner determined by the Board of Trustees.

(F) No amount shall be credited to patrons as a capital credit until all accumulated deficits shall have been liquidated. Regardless of a statute of limitation or other time limitation, after retiring capital credits allocated to a patron, the Cooperative may recoup, offset, or setoff an amount owed to the Cooperative by the patron, including any compounded interest, late payment fee, court costs, or attorney's fees, by reducing the net present value amount of the retired capital credits paid to the patron by the amount owed to the Cooperative.

SECTION 7.03. Unclaimed Capital Credits. The Cooperative may regularly impose a reasonable dormancy or service charge for each year a patron fails to claim capital credits retired and paid to the patron. As allowed by law, the Cooperative may retain capital credits retired and paid to a patron, but not claimed by the patron within five (5) years of retirement and payment.

ARTICLE VIII **DISPOSITION OR ENCUMBRANCE OF PROPERTY**

SECTION 8.01. Cooperative Property. The Cooperative may not sell, mortgage, lease, or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease, or other disposition or encumbrance is authorized by the affirmative vote of not less than a majority of all votes cast by the members at any annual or special meeting of the members, and unless the notice of such proposed sale, mortgage, lease, or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however,

that notwithstanding anything herein contained, the Board of Trustees of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions, and the Board of Trustees shall determine to secure any indebtedness of the Cooperative.

ARTICLE IX SEAL

SECTION 9.01. **Corporate Seal.** The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Kansas."

ARTICLE X FINANCIAL TRANSACTIONS

SECTION 10.01. **Contracts.** Except as otherwise provided in these ByLaws, the Board of Trustees may authorize any officer or officers, agent or agents, to enter into any contract, or execute and deliver any instrument in the name of, and on behalf of, the Cooperative, and such authority may be general or confined to specific instances.

SECTION 10.02. **Checks, Drafts, Etc.** All checks, drafts, or other orders for payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed 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 of Trustees.

SECTION 10.03. **Deposits.** All funds of the Cooperative (except petty cash) shall be deposited from time to time to the credit of the Cooperative with one or more banks, financial institutions, governmental agencies, or quasi-governmental lending institutions as the Board of Trustees may direct.

SECTION 10.04. **Fiscal Year.** The fiscal year of the Cooperative shall begin on the first day of January of each year, and end on the 31st day of December.

ARTICLE XI MISCELLANEOUS

SECTION 11.01. **Membership in Other Organizations.** The Cooperative shall not become a member of any organization without an affirmative vote of the members at a meeting called as provided in these By-Laws; and the notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business; provided, however, that the Trustees shall have full power and authority on behalf of the Cooperative to purchase stock in, or to become a member of, any corporation, association, or cooperative on a non-profit basis.

SECTION 11.02. **Waiver of Notice.** Any member or Trustee may waive, in writing, any notice of a meeting required to be given by these By-Laws, either before or after such meeting. The attendance of a member or Trustee at any meeting shall constitute a waiver of notice of such meeting by such member or Trustee, except when a member or Trustee 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 11.03. **Rules and Regulations.** The Board of Trustees shall have power to make and adopt such rules and regulations, not inconsistent with the law, the Articles of Incorporation, or these By-Laws, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

SECTION 11.04. **Accounting System and Reports.** The Board of Trustees shall cause to be established and maintained a complete accounting system that, among other things, as subject to applicable laws and rules and regulations of any regulatory board, shall conform to such accounting system as may from time to time be designated by the Rural Utility Service, or its successor of the United States of America. All accounts of the Cooperative shall be examined by a committee consisting of no fewer than three (3) members of the Board of Trustees, which shall render reports to the full Board of Trustees. The Board of Trustees shall also cause to be made each year a full and complete audit of the accounts, books, and financial condition of the Cooperative. Such annual audit report shall be available to the members upon request.

SECTION 11.05. **Headings.** Section numbers, section headings, and subsection designations contained in the By-Laws shall be considered for clarity only, shall not control the meaning, construction, or interpretation of any By-Law provision, and may be modified from time to time by action of the Board of Trustees.

SECTION 11.06. **Indemnification.** The Cooperative shall have the power to indemnify any person or such person's estate or personal representative who was or is a party, or is threatened to be made a party to any pending or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that such person is or was a Trustee, officer, employee, or agent of the Cooperative, against expenses, judgments, fines, and amounts paid in settlement

actually and reasonably incurred by him in connection with such action suit or proceeding, including attorney's fees, to the full extent permitted by law, upon a determination that such person acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Cooperative; and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Indemnification shall not be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable.

In the event of a settlement before or after an action, suit, or proceeding, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Cooperative is advised by independent legal counsel that the person to be indemnified was not guilty of negligence or misconduct.

Expenses incurred in defending a civil or criminal action, suit, or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit, or proceeding as authorized; provided, however, such person shall agree to repay all amounts advanced unless it shall ultimately be determined that such person is entitled to be indemnified by the Cooperative.

The foregoing right of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled under any other By-Law provision, agreement, vote of the members or disinterested Trustees, or otherwise.

ARTICLE XII AMENDMENTS

SECTION 12.01. **Amendments.** These By-Laws may be altered, amended, or repealed by the affirmative votes of a majority of the votes cast by the members at any annual or special meeting of the members, but only if the notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal; an accurate summary explanation thereof; or a website address, or other internet link, where such proposal shall be made available in electronic form. If the proposed alteration, amendment, or repeal of the By-Laws is provided in an electronic format, the Cooperative shall make available to any member a paper copy of the proposed alteration, amendment, or repeal upon request.