



**THE BUTLER RURAL ELECTRIC
COOPERATIVE ASSOCIATION, INC.**

BYLAWS

As Amended March 13, 2008

Your Touchstone Energy® Cooperative



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IT SHALL BE THE AIM OF THE BUTLER RURAL
ELECTRIC COOPERATIVE ASSOCIATION, INC.
TO MAKE ELECTRIC ENERGY AND/OR SERVICES
AVAILABLE TO ITS MEMBERS AT LOWEST COST
CONSISTENT WITH SOUND ECONOMY
AND GOOD MANAGEMENT.

BY-LAWS

of the Butler Rural Electric Cooperative Association, Inc.

ARTICLE I: MEMBERSHIP

Section 1. REQUIREMENTS FOR MEMBERSHIP.

Any natural person, trust, firm, association, corporation, Limited Liability Corporation, or body politic or subdivision thereof will become a Member of The Butler Rural Electric Cooperative Association, Inc. of El Dorado, Kansas (herein after called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he/she or it has first:

- (a) Made application for Membership therein;
- (b) Agreed to purchase from the Cooperative, electric energy and/or services for the purchase, distribution, delivery, or metering of electric power or energy (herein referred to as energy and/or services) as hereinafter specified;
- (c) Agreed 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 Membership in the Cooperative and no Membership shall be transferable, except as provided in these By-laws.

Section 2. MEMBERSHIP RECORDS.

All Memberships shall be recorded by the Cooperative. Membership records shall be kept and maintained at the Cooperative offices.

Section 3. JOINT MEMBERSHIP.

A husband and wife may apply for a joint Membership, and subject to their compliance with the requirements set forth in Section 1 of this article, may be accepted for such Membership. The term "Member" as used in these 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 hereafter 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 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 joint vote;
- (c) A proxy executed by either or both shall constitute one 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.
- (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 4. CONVERSION OF MEMBERSHIP.

- (a) A Membership may be converted to a joint Membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, By-laws and Rules and Regulations adopted by the Board of Trustees
- (b) Upon the death of either spouse who is a party to a joint Membership, such Membership shall be held solely by the survivor. However, the estate of the deceased shall not be released from any debts due the Cooperative and patronage capital shall be retained and transferred to the surviving spouses account.

Section 5. MEMBERSHIP AND SERVICE CONNECTION FEES.

The Board of Trustees may establish by rule and regulation such other fees as may be necessary, including but not limited to Membership fees, customer deposits, and line extension fees.

Section 6. PURCHASE OF ELECTRIC ENERGY AND/OR SERVICES.

Each Member shall, as soon as electric energy and/or services shall be available, purchase from the Cooperative all electric energy and/or services used on the premises, and shall pay therefore at rates which shall from time to time be fixed by the Board of Trustees. It is expressly understood that amounts paid for electric energy and/or services 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 by these By-laws. Each Member shall pay to the Cooperative such minimum amount regardless of the amount of electric energy and/or services 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.

Section 7. 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 may, by the affirmative vote of not less than two-thirds of all the Members of the Board of Trustees, expel any Member who fails 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 Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled Member may be reinstated by vote of the Board of Trustees or by vote of the Members at any Annual or Special Meeting. The Membership of a Member who for a period of six (6) months after service is available to him, has not purchased electric energy and/or services from the Cooperative, or of a Member who has ceased to purchase energy and/or services from the Cooperative, may be cancelled by resolution of the Board of Trustees.

ARTICLE II: RIGHTS AND LIABILITIES OF MEMBERS

Section 1. PROPERTY INTEREST OF MEMBERS

Upon dissolution, after

- (a) all debts and liabilities of the Cooperative shall have been paid, and
- (b) all capital furnished through patronage shall have been retired as provided in these 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 ten (10) years next preceding the date of the filing of the certificate of dissolution, or, if the Cooperative shall not have been in existence for such period, during the period of its existence.

Section 2. NON-LIABILITY FOR DEBTS OF THE COOPERATIVE.

The private property of the Members shall be exempt from execution or other liability for the debts of the Cooperative and no Member shall be liable or responsible for the debts or liabilities of the Cooperative.

ARTICLE III: MEETINGS OF MEMBERS

Section 1. ANNUAL MEETING.

The Annual Meeting of the Members of the Cooperative shall be held between the first day of March and the first day of May in such location within the area served by the Cooperative as shall be designated in the Notice of the Annual Meeting, for the purpose of electing Trustees, hearing and acting upon reports covering the prior fiscal year, and transacting such business as may come before said Meeting. If the election of Trustees shall, for any reason, not be held at the Annual Meeting of the Members, the Board of Trustees shall cause the election to be held at a Special Meeting as soon thereafter as can be conveniently done with Notice of the Special Meeting given as provided herein for the Annual Meetings. Failure to hold the Annual Meeting of the Members at the specified time provided shall not work a forfeiture of dissolution of the Cooperative.

- (a) The Annual or Special Meetings of the Members shall be controlled and follow the most current version of Robert's Rules of Order. The President of the Board of Trustees, or, at his direction, the Cooperative Attorney, shall be the sole interpreter of any procedural questions or issue brought or introduced at the Member Meeting.

Section 2. SPECIAL MEETINGS OF MEMBERS.

Special Meetings of the Members may be called by Resolution of a majority of the Board of Trustees or upon a written petition of twenty five percent or more of all Members. It shall be thereupon be the duty of the Secretary to cause notice of the Special Meeting to be given as hereafter provided. The Special Meeting may be held at any specified place in El Dorado, Butler County, Kansas as specified in the notice of such Special

Meetings.

Any Special Meeting, as requested by the Board of Trustees or written petition, shall state precisely the issue or issues to be presented at the Special Meeting. Only those issues for which the Special Meeting is requested shall be considered

Section 3. NOTICE OF MEMBERS'S MEETINGS.

Written or printed notice stating the place, day and hour of the Meeting, and, in case of a Special Meeting or an Annual Meeting at which business requiring Special notice is to be transacted, the purpose or purposes for which the Meeting is called, shall be delivered not less than ten (10) days nor more than thirty-five (35) days before the date of the Meeting, by U.S.Mail, personal service, or within the centerspread of the Kansas Electric Cooperative monthly magazine delivered to the Cooperative's Members. Such notice shall be deemed provided when delivered to the Member as their address appears on the records of the Cooperative. The failure of any Members to receive notice of an Annual or Special Meeting of the Members shall not invalidate any action which may be taken by the Members at any Meeting

Section 4. QUORUM.

At least five per centum (5%) of the total number of Members of the Cooperative must be present in person to constitute a quorum for the transaction of business, up until there are 1,000 Members of the Cooperative. When there are more than a thousand Members of the Cooperative, then fifty Members present in person shall constitute a quorum for the transaction of business. This is providing that legal notice of such Meeting has been given to the Membership as provided in these By-laws. Should a quorum cease to exist at any regular or Special Meeting of the Members, such Meeting shall be recessed to a date in the future that shall be announced at the recessed Meeting. No further notice, other than the announcement at the Meeting so recessed, shall be required. The minutes of each Annual or Special Meeting of the Members shall be made to contain a list of the names of the Members of the Cooperative

present in person and also the names of the Members attending by proxy.

Section 5. VOTING.

Each Member shall be entitled to only one vote upon each matter submitted to a vote of the Members. All questions shall be decided by a vote of a majority of the Members voting thereon except as otherwise provided by law, the Articles of Incorporation or these By-laws. All questions for which a vote of the Membership is required may be taken at a duly convened Meeting of the Members in person, by proxy in accordance with Section 6 of this Article, or in the sole discretion of the Board of Trustees, by mail ballot. In the event the Board of Trustees determines to conduct a vote of the Membership by mail ballot, proper notice of the ballot question and instruction for the conduct of the election shall be provided to the Membership. In no event shall a mail ballot vote on any action of the Membership contemplated by Article VIII of these By-laws be permitted. No binding action may be taken by mail ballot unless the number of Members casting ballots shall be equal to or greater than the number of Members required to constitute a quorum at a Membership Meeting.

Section 6. PROXIES.

A Member may vote by proxy executed in writing signed by the Member giving the proxy. Such proxy shall be filed with the Secretary at the time it is voted at any Meeting. No proxy is valid after sixty days from the date of its execution. No proxy is valid unless it specify the Meeting at which it is to be voted, and no proxy may be used for any other Meeting than the one designated therein or an adjournment thereof. A Member may give his proxy only to another Member, or to an adult relative living in the same home, and no proxy may hold nor vote more than one proxy. The presence of a Member at any Meeting revokes any proxy he may have therefore given. The minutes of every Meeting shall contain a list of the Members represented by proxy, and the name of the person to whom the proxy is give to be voted

Section 7. ORDER OF BUSINESS, ANNUAL OR SPECIAL MEETINGS OF MEMBERS.

The order of business at the Annual Meeting of the Members and, so far as possible, at all other Meetings of the Members, shall be essentially as follows, except as otherwise determined by the Members at such Meeting:

- (1) Report on the number of Members present in person, in order to determine the existence of a quorum.
- (2) Reading of the notice of the Meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the Meeting, as the case may be.
- (3) Reading of unapproved minutes of previous Meetings of the Members and taking of necessary action thereon.
- (4) Presentation and consideration of reports of Officers, Trustees and committees.
- (5) Election of Board Members.
- 6) Unfinished business.
- (7) New business.
- (8) Adjournment.

ARTICLE IV: TRUSTEES

Section 1. GENERAL POWERS.

The Business and Affairs of the Cooperative shall be managed by a Board of seven Trustees which 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 2. ELECTION AND TENURE OF OFFICE.

That Trustees of the Cooperative hereafter be elected to serve three (3)

year terms except that the first Trustees to be elected under and pursuant to the terms of this amendment to be fixed for a number of years not to exceed three years, and on the expiration thereof all Trustees shall be elected on three year terms, two being elected one year, two in another year, and three in a succeeding year, and that in all cases Trustees continue and remain in office until successors shall be elected and qualify, and that Section Two of Article IV of these By-laws of the Cooperative shall be amended as requested in this resolution, and that upon such amendment going into effect that the former Section Two Article IV of the By-laws be repealed.

- (a) That Trustees of the Cooperative be elected to serve three (3) year terms, two being elected one year, two in another year, and three in a succeeding year and that in all cases Trustees continue and remain in office until successors shall be elected and qualified pursuant to Article IV, Section 3, of the By-laws.
- (b) That each Trustee shall serve within a prescribed and defined area served by the Cooperative hereinafter referred to as "district". Each Trustee must be an actual resident of the district for which he/she has been elected or appointed to serve. The area served by each Trustee shall be approved by Board vote. A map of the districts serving the Cooperative shall be displayed in a public place within the office of the Cooperative and at the Annual Meeting of the Members.
- (c) No Trustee shall serve more than twelve (12) consecutive years as a Trustee. The only exception is fulfilling an unexpired term by appointment prior to being elected. After serving twelve (12) years, or more, as a Trustee, three (3) years must pass before the Member can be elected or appointed to be a Trustee.

Section 3. QUALIFICATIONS.

No person shall be eligible to become or remain a Member of the board of Trustees who:

- (a) Is not a Member and bona fide resident in the area served, or to be served by the Cooperative; or
- (b) is in any way employed by the Cooperative, or financially interested or employed by a competing enterprise or a business buying or selling electric energy and/or services or electric supplies to or from the Cooperative; or
- (c) is associated with the Cooperative due to full-time employment within the past five (5) years.

Section 4. NOMINATIONS.

It shall be the duty of the Board of Trustees to appoint, not less than thirty days nor more than ninety 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 nor more than eleven Members who shall be selected from different sections so as to insure equitable representation. No Member of the Board of Trustees shall serve on the committee. The committee keeping in mind the principal of equitable representation shall prepare and post at the principal office of the Cooperative, at least twenty days before the Meeting a list of nominations for Trustees which may include a greater number of candidates than are to be elected. Any fifteen or more Members acting together may make other nominations by petition not less than fifteen days prior to the Meeting and the Secretary shall cause to be posted such nominations at the same place where the list of nominations made by the committee is posted. Said Secretary shall cause to be mailed with the notice of the Meeting or separately, but at least ten days before the date of 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 on nominations, and the nominations made by petition, if any. The chairman shall call for additional nominations from the floor and nominations shall not be closed until at least one minute has passed during which no additional nominations has been made. No Member may nominate more than one candidate.

Section 5. REMOVAL OF TRUSTEES BY MEMBERS.

Any Member may bring charges against a Trustee, and by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum of the Members, may request the removal of such trustee by reason thereof. Such Trustee shall be informed in writing of the charges at least ten days prior to the Meeting of the Members at which time the charges are to be considered and shall have an opportunity at the Meeting to be heard in person or by counsel and to present evidence in respect to the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such a Trustee shall be considered and voted upon at the Meeting of the Members and any vacancy created by such removal may be filled by vote of the Members at such Meeting without compliance with the foregoing provisions with respect to nominations.

Section 6. VACANCIES.

Subject to the provisions 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.

Section 7. COMPENSATION.

Trustees shall not receive any salary for their services as Trustees, except that by resolution of the Board of Trustees, a fixed sum and expenses, if any, may be paid to the Trustees for each day, or portion thereof, spent on Cooperative business, including but not limited to attendance at Board and other Meetings, conferences and training programs, or performing committee assignments when authorized by the Board. 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 of such Trustee or his close relative shall have been certified by the Board of

Trustees as an emergency measure.

Section 8. REQUIRED ATTENDANCE AT MEETINGS.

Each Trustee shall attend Cooperative Meetings of Members and Trustees as provided. Any Trustee absent from five (5) or more regular board Meetings within a one (1) year period shall be considered a voluntary resignation. Any officer of the Board of Trustees may then call for a Special board Meeting, which shall be held within twenty (20) days of the request, for the purpose of selecting a replacement Trustee

Section 9: REQUIRED EDUCATION.

Each Trustee shall attend at least three (3) state or nationally sponsored educational conferences or Meeting during each three (3) year term in office in order to be eligible to stand for reelection. Sessions Meeting these educational requirements will be adopted by a majority of the Board of Trustees from time to time.

ARTICLE V: MEETINGS OF TRUSTEES

Section 1. REGULAR MEETINGS.

Regular Meetings of the board of trustees shall be held monthly at such time and place 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 2. SPECIAL MEETINGS.

Special Meetings of the Board of Trustees may be called by the President, or by any three Trustees and it shall thereupon be the duty of the Secretary to cause notice of such Meeting to be given as hereinafter provided. The President or Board Members calling the Meeting shall fix the time and place for the holding of the Meeting.

Section 3. NOTICE OF BOARD MEETINGS.

Written notice of the time and place and purpose of any Special Meeting

of the Board of Trustees shall be delivered to each Trustee not less than 2 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. 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 record of the Cooperative, with the postage paid thereupon. Any Trustee may in writing waive the written notice of Meeting herein provided.

Section 4. QUORUM.

A majority of the Board of Trustees shall constitute as 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, or cause to be notified, any absent trustee of the time and place of such adjourned Meeting. The act of the majority of Trustees present at a Meeting at which a quorum is present shall be the act of the Board of Trustees, except as otherwise provided by these By-laws.

Section 5. VOTING.

Trustees will vote by voice vote on all proposals. The official minutes of all Meetings shall list by name each Trustee who cast a dissenting vote or who abstained on proposals, except those involving employee compensation. A vote involving employee compensation can be listed as number for and number against.

ARTICLE VI: OFFICERS

Section 1. NUMBER.

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

Section 2. ELECTION AND TERM OF OFFICE.

The Officers shall be elected annually by and from the Board of Trustees at the Meeting of the Board of Trustees held as soon after the Annual Meeting of the Members as convenient, but no later than the next regularly scheduled Board Meeting. 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 3. 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 interest of the Cooperative will be served thereby. In addition, any Member of the Cooperative may bring charges against an Officer, and by filing with the Secretary, such charges in writing together with a petition signed by ten per centum of the Members may request the removal of such Officer. The Officer against whom such charges have been brought shall be informed in writing of the charges at least ten days prior to the Board Meeting at which the charges are to be considered and shall have an opportunity at the Meeting to be heard in person or by counsel and to present evidence in respect of the charges and the person or persons bringing the charges against him shall have the same opportunity. In the event the Board does not remove such officer, the question of his removal shall be considered and voted upon at the next Meeting of the Members.

Section 4. 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, with the Vice President or the Secretary 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 which is 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 5. VICE PRESIDENT.

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

Section 6. SECRETARY.

The Secretary shall be responsible for:

- (a) assuring the minutes of the Meetings of the Members and of the Board are kept in books provided by the Cooperative for that purpose.
- (b) seeing that all notices are duly given in accordance with these By-laws or as required by law.
- (c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all 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) assuring the register of the names and post office addresses of all Members are kept.
- (e) causing to be kept on file at all times, a complete copy of the Articles of Incorporation and By-laws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any Member), and at the expense of the Cooperative, furnishing a copy of the By-laws and of all amendments thereto to any Member upon request, and

- (f) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Trustees.

Section 7. TREASURER.

The Treasurer shall be responsible for:

- (a) oversight of custody of all funds and securities of the Cooperative.
- (b) oversight of the receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks or financial institutions as shall be selected in accordance with the provisions of these By-laws, and
- (c) the general performance of all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to the Treasurer by the Board of Trustees.

Section 8. 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 may be delegated by the Board of Trustees. The Board of Trustees may designate the Manager as Chief Executive Officer, Executive Vice-President, or such other title as shall properly characterize the position and authority of the Manager.

Section 9. BONDS OF OFFICERS.

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

Section 10. COMPENSATION.

The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Trustees subject to the provisions of these By-laws with respect to compensation for Trustees and close relatives to Trustees.

Section 11. REPORTS.

The Officers of the Cooperative shall submit at each Annual Meeting of the Members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII: NON-PROFIT OPERATION

Section 1. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED.

The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

Section 2. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC.ENERGY AND/OR SERVICES.

In the furnishing of electric energy and/or services, the Cooperative's operations shall be so conducted that all patrons, Members and non-Members alike will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons, Members and non-Members alike.

All amounts received by the Cooperative from its operations in excess of the costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and

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

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 non-Members alike as capital. The Cooperative is obligated to allocate by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be setup and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital

In the event the Association suffers a loss in any year the Board of Directors shall prescribe the basis on which the capital contributions of patrons shall be reduced on account of any such loss, so that it will be borne by the patrons on as equitable a basis as the Board of Trustees finds practicable.

In the event of dissolution or liquidation of the Cooperative, after all outstanding capital credits shall have been paid, outstanding capital credits shall be retired without priority or 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. Any such retirement shall be made at such time and in such manner as the

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

Notwithstanding any other provisions of these By-laws, the Board of Trustees, at its discretion, shall have the power any time upon the death of a patron, to refund that Member's capital credits to the estate of the deceased Member at the request of the Member's legal representative, in writing. Any refund of capital credits shall be made under policies of general application and guidelines as provided by the Board.

The patrons of the Cooperative, by dealing with the Cooperative acknowledge that the terms and provisions of the Articles of Incorporation, the articles of conversion and the 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 of the Cooperative by posting in a conspicuous place in the Cooperative office.

Section 3. OTHER PATRONAGE.

In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy and/or services all amounts received and receivable therefrom which are in excess of costs and expenses 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 non-Members alike, from whom such amounts were obtained.

The Board of Trustees shall have the authority and discretion to determine

the time and manner of the retirement of any capital credited to the Cooperative by its power supplier or by any other entity in which the Cooperative has an ownership or Membership interest. Such capital shall be identified separately on the books of the Cooperative.

ARTICLE VIII: DISPOSITION OF PROPERTY

The Cooperative shall 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 at a duly held Meeting of the Members thereof by an affirmative vote of not less than three-fourths of the Cooperative, 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, or any other provisions of law, 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 as the board of Trustees shall determine, to secure any indebtedness of the Cooperative of the United States of America or any instrumentality or agency thereof, or to a national financing institution organized on a Cooperative plan for the purpose of financing its Members programs, projects and undertakings, in which the Cooperative hold Membership. Provided further that the board of Trustees may upon the authorization of no less than three-fourths of the total Membership of the Cooperative, sell, lease or otherwise dispose of all or a substantial portion of its property to another, Cooperative or corporation doing business in this state pursuant to the Act under which this Cooperative is incorporated.

ARTICLE IX: SEAL

The CORPORATE SEAL of the Cooperative shall be and remain in the form heretofore and up to this time used, kept and maintained by the Cooperative, with the name of the Cooperative making up a part thereof with the words Corporate Seal and State of Kansas therein.

ARTICLE X: FINANCIAL TRANSACTIONS

Section 1. CONTRACTS.

Except as otherwise provided in these By-laws, 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 and on behalf of the Cooperative, and such authority may be general, or confined to specific instances.

Section 2. CHECKS, DRAFTS, ETC.

All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such Officer or Officers, agent or agents, employee or employees of the Cooperative and in the manner as shall from time to time be determined by resolution of the Board of Trustees.

Section 3. DEPOSITS.

All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such Bank or Banks as the Board of Trustees may select and designate.

Section 4. FISCAL YEAR.

The Fiscal year of the Cooperative shall begin on the 1st day of May and end on the 30th day of April of the following year.

ARTICLE XI: MISCELLANEOUS

Section 1. 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 the 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 a Member or Trustee shall attend a Meeting for the express purpose of objecting to the transaction of any business on the ground that the Meeting has not been legally called or convened.

Section 2. RULES AND REGULATIONS.

The Board of Trustees shall have power to make and adopt such Rules and Regulations, not inconsistent with law, the Articles of Incorporation, the articles of conversion, or these By-laws, as it may deem advisable for the management of the business and affairs of the Cooperative.

Section 3. ACCOUNTING SYSTEM AND REPORTS.

The Board of Trustees shall cause to be established and maintained a complete accounting system which among other things, and subject to applicable laws and Rules and Regulations of any regulatory body, shall conform to such accounting system as may from time to time be set forth in generally accepted accounting principles and procedures. The Board of Trustees shall also after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the Members at the next following Annual Meeting.

Section 4. AREA COVERAGE.

The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

Section 5. INDEMNIFICATION.

- (a) Unless ordered by a court, upon a determination by the board of trustees by a majority vote of a quorum consisting of the trustees voting who were not parties to such action, suit or proceeding, by independent legal counsel in a written opinion, or by the Membership, that indemnification is proper in the circumstances because the applicable standard of conduct has been met, the Cooperative may indemnify any person, such person's heirs, executors, or administrators, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative other than an action by or in the right of the Cooperative. Indemnification may be afforded to any person who is or was a trustee, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Such person may be indemnified against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, including attorney's fees, if such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Cooperative. Indemnification may be made in criminal proceedings in the event such person had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Cooperative or was unlawful.
- (b) No indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Cooperative unless and only to the extent that the court in which

such action or suit was brought determines that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which the court shall deem proper.

- (c) To the extent that a trustee, officer, employee or agent of a Cooperative has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b), or in the defense of any claim, issue or matter therein, such trustee, officer, employee or agent shall be indemnified against expenses actually and reasonably incurred by such person in connection therewith, including attorney fees.
- (d) Expenses incurred by a trustee or officer 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 upon receipt of an undertaking by or on behalf of the trustee or officer to pay such amount if it is ultimately determined that the trustee or officer is not entitled to be indemnified by the Cooperative. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of trustees deems appropriate
- (e) The foregoing rights of indemnification or reimbursement shall not be exclusive of other rights to which such person, such person's heirs, executors, and administrators may be entitled as a matter of law.
- (f) The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Cooperative may indemnify such person against such liability under

paragraphs (a) and (b).

ARTICLE XII: AMMENDMENTS

These By-laws may be altered, amended, or repealed by the affirmative vote of not less than two-thirds (2/3) of the Members present and voting at any regular or Special Meeting of Members, or voting by mail ballot as provided in Article III, with the exception of any By-law encompassing the sale or lease of a substantial portion of the Cooperative, or modification of the By-law provisions for sale or lease, which modification shall require a three-fourths (3/4) approval of the total Membership of the Cooperative.

Membership requests for alterations, amendments or repeal of any portion of the By-laws shall be by Petition of no less than twenty (20) Members and submitted within sixty (60) days from date of scheduled Meeting. All requested By-law Amendments or repeal, from Membership or Board of Trustees, shall be published and provided with the Notice of the Meeting to the Membership. Requests for By-law changes may be taken from the floor or submitted by the Board of Trustees, by motion, and without Notice, at any Annual Meeting, but no Vote will be taken until the next Annual or Special Meeting. Printed notice of any Motion submitted from the floor, will be provided pursuant to the above procedure.

