

## **Article I**

### **MEMBERS**

#### **Section 1. Qualifications and Obligations.**

Any person, firm, corporation or body politic may become a member in the Cooperative by:

- (a) completing an application and paying a membership fee as specified in the Cooperative's tariffs;
- (b) agreeing to purchase from the Cooperative the amount of electric energy as hereinafter specified; and
- (c) agreeing to comply with and be bound by the Articles of Conversion of the Cooperative and these Bylaws

and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Trustees, provided, however, that no person, firm, corporation or body politic shall become a member unless and until its application for membership has been accepted by the Board of Trustees.

#### **Section 2. Certificates of Membership.**

Membership in the Cooperative shall be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Trustees not contrary to, or inconsistent with, the Articles of Conversion of the Cooperative or these Bylaws. Such certificate shall be signed by the President, and by the Secretary of the Cooperative, and the corporate seal shall be affixed thereto. No membership certificates shall be issued for less than the membership fee, nor until such membership fee has been fully paid for in cash, and such payment has been deposited with the Treasurer. Memberships held by more than one person will be considered a Joint Membership. A Joint Membership constitutes one member.

#### **Section 3. Transfer of Membership and Joint Membership.**

(a) Membership in the Cooperative and the certificate representing the same shall be transferable only under the conditions hereinafter stated. Membership in the Cooperative and certificate representing the same shall be transferable to any person, firm, corporation or body politic who or which is eligible for membership in the Cooperative and becomes a member of the Cooperative under the conditions set forth in these Bylaws. Upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate and the certificate of membership of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall operate as a release of all right title and interest of the member in the property and assets of the Cooperative except any claim related to their patronage capital; provided, however, that such termination of membership shall not release the member from the debts or liabilities of such member to the Cooperative.

(b) A membership may be transferred at the request of a member to a new eligible member upon the written request of such member and compliance by such new member with the provisions of subdivisions (b) and (c) of Section 1 of this Article. Such transfer shall be made and recorded on the books of the Cooperative and such new membership noted on the original certificate representing the membership so transferred.

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

(d) In case of withdrawal or termination of membership, the Cooperative will repay to the member the amount of the membership fee paid by the member; provided, however, that the membership has been effective for at least twelve (12) months, and provided 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.

#### **Section 4. Membership Fee.**

The amount of the membership fee shall be established by tariff.

Section 5. Purchase of Electric Energy.

Each member shall purchase from the Cooperative all electric energy used on the premises referred to in the application of such member for membership, except as allowed otherwise by tariff, contract, or as mandated by Kansas law, and shall pay therefore monthly at rates which shall from time to time be fixed by resolution of the Board of Trustees; provided, however, that the electric energy which the Cooperative shall furnish to any member may be limited to such an amount as the Board of Trustees shall from time to time determine and that each member shall pay to the Cooperative such minimum amount per month as shall be fixed by the Board of Trustees, from time to time, regardless of the amount of electric energy consumed. Each member shall also pay all obligations which may from time to time become due and payable by such member to the Cooperative as and when the same shall become due and payable.

Section 6. Expulsion of Members and Surrender of Certificates of Membership.

The Board of Trustees may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member and cause the member's certificate of membership to be surrendered if such member shall have violated or refused to comply with any of the provisions of the Articles of Conversion of the Cooperative or these Bylaws or any rules or regulations adopted from time to time by the Board of Trustees. The certificate of membership, so surrendered, shall be canceled by the Board of Trustees. Any member so expelled, and whose certificate of membership has been surrendered, may be reinstated as a member by a vote of the members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

## **Article II**

### **NON-LIABILITY FOR DEBTS OF THE COOPERATIVE**

The private property of the members shall be exempt from execution for the debts of the Cooperative and no member shall be individually responsible for any debts or liabilities of the Cooperative.

## **Article III**

### **MEETING OF MEMBERS**

Section 1. Annual Meeting.

Each annual meeting of the members shall be held at such time and place in Kansas as shall be determined by the Board of Trustees and designated in the notice of the meeting for the purpose of electing Trustees, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting. If the election of Trustees shall not be held on the day designated for any 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 convenient. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative. Non-members may not attend an annual meeting unless approval is received from the Board.

Section 2. Special Meetings.

Special meetings of the members may be called by the President, by three (3) or more Trustees or upon written request signed by at least ten per centum (10%) 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 such time and place in Kansas as determined by the Board of Trustees and as designated in the notice of the special meeting.

Section 3. Notice of Members' Meetings.

Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered to each member not less than ten (10) days nor more than twenty-five (25) days before the date of the meeting, either personally, by regular or electronic mail, or a combination thereof, by or at the direction of the Secretary. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his or her 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 which may be taken by the members at any such meeting.

Section 4. Quorum.

A quorum shall consist of a total number of fifty (50) members present in person or voting by proxy or by another manner approved by the Board. 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 5. Voting.

Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote of the members. All matters submitted to the members for a vote shall be decided by a vote of a majority of the members voting thereon in person, by proxy or by another manner approved by the Board, except as otherwise provided by law, the Articles of Conversion of the Cooperative, or these Bylaws. A joint membership is entitled to one (1) vote and no more upon each matter submitted to a vote of the members.

Any votes resulting in a tie shall be decided by a coin toss.

Section 6. 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 any adjournment of such meeting. No person shall vote as proxy for more than three (3) members at any meeting of the members 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 previously executed by such member and such member shall be entitled to vote at the meeting in the same manner and with the same effect as if the proxy had not been executed.

Section 7. Order of Business.

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

1. Call of the roll and confirm 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 the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon, reports of officers, Trustees and committees.
5. Election of Trustees.
6. Old 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 nine (9) Trustees which shall exercise all of the powers of the Cooperative except such as are by law or by the Articles of Conversion of the Cooperative or by these Bylaws conferred upon or reserved to the members.

### **Section 2. Qualifications and Tenure.**

At each annual meeting of the members, Trustees shall be elected by ballot, by and from the members to serve until their term expires or otherwise terminates subject to the provisions of these Bylaws with respect to the removal of Trustees. No member shall be eligible to become or remain a Trustee who is not a bona fide resident in the certificated territory of the Cooperative, and no member shall be eligible to become or remain a Trustee or to hold any position of trust in the Cooperative who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative. No person shall take or hold office as a Trustee who is the incumbent of or candidate for an elective public office in connection with which a salary is paid. When a membership is held jointly, either one of the joint members, but not both, may be elected a Trustee, provided however, that neither shall be eligible to become or remain a Trustee or to hold a position of trust in the Cooperative unless both shall meet the qualifications set forth herein. Nothing in this section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Trustees.

#### **Section 2.A. Districts.**

The Trustees of the Cooperative shall apportion the geographical area served by the Cooperative into three (3) districts and three (3) Trustees shall be elected by the entire membership of the Cooperative to represent the members in that district in connection with matters brought before the Board of Trustees. The Trustee shall be a bonafide resident of the district he or she is elected to represent.

The Trustees shall apportion the Cooperative, taking into account the geographical area, the number of members in the area, the land use in such area, and the type of endeavor - farming, residential, or recreation - generally associated with the area, in establishing such Trustee districts. The Trustees shall examine the Trustee districts from time to time to assure continued representation of the membership based upon the aforesaid criteria.

#### **Section 2.B. Tenure of Office.**

Each of the three (3) districts shall be represented by three (3) Board members who shall be elected in conformance with procedures as hereinafter described:

Each Board member shall be elected for a three (3) year term at the Cooperative's annual meeting to serve until the annual meeting in his third year of office or until his term otherwise terminates.

Should a Board member move his place of residence from his district, a vacancy in his office shall be declared by the Board and a Board member from said district shall be appointed to fill the unexpired term as provided for in these Bylaws.

Section 3. Nominations.

It shall be the duty of the Board of Trustees to appoint, not less than thirty (30) days nor more than sixty (60) 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 so as to give equitable representation on the committee to the geographical areas served or to be served by the Cooperative. No officer or member of the Board of Trustees shall be appointed a member of such committee. The committee shall prepare and post at the principal office of the Cooperative in Kansas at least twenty (20) days before the meeting a list of nominations for Trustees, but any fifteen (15) or more members may make other nominations in writing over their signatures not less than fifteen (15) days prior to the meeting and the Secretary shall post the same 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 a statement of the number of Trustees to be elected and showing separately the nominations made by the committee on nominations and the nominations made by petition, if any. Writing in a name on a ballot is not permitted and will result in the ballot being void. The members, at any meeting at which a Trustee or Trustees are removed as herein provided, may elect a successor or successors thereto without compliance with the foregoing provisions with respect to nominations. 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. Removal of Trustees and Officers.

Any member may bring charges against any officer or Trustee by filing them in writing with the secretary, together with a petition signed by ten per centum (10%) of the members, requesting the removal of the officer or Trustee in question. The removal shall be voted upon at the next annual or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The Trustee or officer against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity.

Section 5. Vacancies.

Subject to the provisions of these Bylaws with respect to the removal of Trustees, vacancies occurring in the Board of Trustees shall be filled by majority vote of the remaining Trustees and Trustees thus elected shall serve until the next annual meeting of the members or until their successors shall have been elected and shall have qualified.

Section 6. Compensation.

Trustees shall not receive any salary for their services, but by resolution of the Board of Trustees, a fixed fee and expenses of attendance, if any, may be allowed for attendance at each meeting of the Board of Trustees and other Board approved events at which the Trustee represents the Cooperative. Except in emergencies, no Trustee shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative (as defined in the Cooperative's policies) of a Trustee receive compensation for serving the Cooperative, unless such compensation shall be specifically authorized by a vote of members or by a vote of the Trustees after full disclosure.

## **Article V**

### **MEETINGS OF TRUSTEES**

Section 1. Regular Meetings.

A regular meeting of the Board of Trustees shall be held monthly at such time and place in Kansas as the Board of Trustees may determine. Such regular monthly meetings may be held without notice other than the notice to the Board of Trustees fixing the time and place thereof. Except as the Board provides otherwise, and in accordance with any policies, rules or regulations adopted by the Board, members may attend regular meetings subject to the Board adjourning into an executive session, where appropriate. Non-members may not attend regular meetings unless preapproval is received from the Board in advance of such meeting.

Section 1A. Organizational Meetings.

An organizational meeting of the Board of Trustees shall be held without notice other than this Bylaw, immediately after the annual meeting of the members. Except as the Board provides otherwise, and in accordance with any policies, rules or regulations adopted by the Board, members may attend organizational meetings subject to the Board adjourning into an executive session, where appropriate. Non-members may not attend organizational meetings unless preapproval is received from the Board in advance of such meeting.

Section 2. Special Meetings.

Special meetings of the Board of Trustees may be called by the President or any three (3) Trustees. The person or persons authorized to call special meetings of the Board of Trustees may fix the time and place (which shall be in the State of Kansas), for the holding of any special meeting of the Board of Trustees called by them. Except as the Board provides otherwise, and in accordance with any policies, rules or regulations adopted by the Board, members may attend special meetings subject to the Board adjourning into an executive session, where appropriate. Non-members may not attend special meetings unless preapproval is received from the Board in advance of such meeting.

Section 3. Notice.

Notice of the time, place and purpose of any special meeting of the Board of Trustees shall be given at least five (5) days previous thereto, by written notice, delivered personally or mailed to each Trustee at his last known address. The Board may approve electronic notice, and if so, it is deemed served once sent to the email address of the Trustee as contained in the records of the Cooperative. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a Trustee at any meeting shall constitute a waiver of notice of such meeting, except where a Trustee attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

Section 4. Quorum.

A majority of the Board of Trustees shall constitute a quorum for the transaction of business at any meeting of the Board of Trustees, provided that if less than a majority of the Trustees are present at said meeting, a majority of the Trustees present may adjourn the meeting from time to time without further notice.

Section 5. Manner of Acting.

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.

## **Article VI OFFICERS**

Section 1. 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 2. Election and Term of Office.

The officers shall be elected, by ballot, annually by the Board of Trustees at the Organizational meeting of the Board of Trustees. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until the Organizational meeting of the Board of Trustees following the next succeeding annual meeting of the members or until his term otherwise terminates.

Section 3. Removal.

Any officer 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.

Section 4. Vacancies.

Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Trustees for the unexpired portion of the term.

Section 5. President.

The President:

- (a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the Board of Trustees;
- (b) shall sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by resolution of the Board of Trustees, and may 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 where the signing and execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general, shall 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. 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 and shall perform such other duties as from time to time may be assigned to him by the Board of Trustees.

Section 7. Secretary.

The Secretary, or the Secretary's designee, shall:

- (a) keep the minutes of meetings of the members and 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 Bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- (d) keep a register of the post office address of each member of which shall be furnished to the Cooperative by each member;
- (e) sign with the President certificates of membership, the issue of which shall have been authorized by resolution of the Board of Trustees;
- (f) have general charge of the books of the Cooperative in which a record of the members is kept;
- (g) keep on file at all times a complete copy of the Bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Cooperative, forward a copy of the Bylaws and of all amendments thereto to each member upon request, and;
- (h) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the office by the Board of Trustees.

Section 8. Treasurer.

The Treasurer, or the Treasurer's designee, shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for moneys due and payable to the Cooperative from any source whatsoever and deposit 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 Bylaws; 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 to the office by the Board of Trustees.

Section 9. 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 as the Board of Trustees may from time to time require and shall have such authority as the Board of Trustees may from time to time vest in such manager.

Section 10. Bonds of Officers.

The Board of Trustees shall require the Treasurer or any other officer of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the Board of 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 11. Compensation.

The compensation, if any, of any officer, agent or employee who is also a Trustee or close relative of a Trustee, shall be determined by the members, or by the Board after full disclosure, as provided elsewhere in these Bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed by the Board of Trustees.

Section 12. Reports.

The officers of the Cooperative, or their designee, shall submit at each annual meeting of the members, reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

## **Article VII**

### **DISPOSITION OF REVENUES AND RECEIPTS**

Section 1. Apportionment of Revenues.

The Board of Trustees shall apportion the revenues of the Cooperative for any fiscal year for the following purposes in the order named:

- (a) To pay or provide for expenses of operation and maintenance of its facilities during such fiscal year;
- (b) To provide a reasonable reserve for working capital;
- (c) To pay or provide for the payment of interest due in such fiscal year;
- (d) To pay or provide for the payment of principal obligations due in such fiscal year;
- (e) To provide a reserve for the payment of indebtedness of the Cooperative in an amount not less than the total of the interest and principal payments in respect thereof required to be made during the next following year;
- (f) To finance, or provide a reserve for the financing of, the construction or acquisition by the Cooperative of additional facilities to the extent determined by the Board of Trustees;
- (g) To make such other payments as may be allowed under the laws of Kansas and these Bylaws.

Nothing herein contained shall be construed to prohibit the payment by the Cooperative of all or any part of its indebtedness prior to the date the same shall become due.



Section 2. Non-Profit Operation - 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 3. Patronage Capital in Connection with Furnishing Electric Energy.

In the furnishing of electric service, the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will, through their patronage, furnish capital to 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 members and former members who have a patronage capital account for all amounts heretofore and hereafter received and receivable from the furnishing of electrical service in excess of operating costs and expenses properly chargeable against the furnishing of electric service. 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 credits to a capital account for each member all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to the member's account.

Section 4. Non-Operating Income.

Funds and amounts, other than funds and amounts received from furnishing electric service, received by the Cooperative that exceed the Cooperative's cost and expense ("non-operating margins") may be:

- (a) allocated as capital credits to members in the same manner as the Cooperative allocates capital credits to members; or
- (b) used by the Cooperative as permanent, non-allocated capital.

Section 5. Dissolution or Liquidation.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative has been paid, outstanding Capital Credits shall be retired without priority on a prorata basis. If at any time prior to dissolution or liquidation the Board of Trustees shall determine that the financial condition of the Cooperative shall not be impaired thereby, the capital then credited to members' accounts may be retired in full or in part; however, in no event may any such capital be retired unless, after the proposed retirement, the capital of the Cooperative shall equal at least thirty-five per centum (35%) of the total assets of the Cooperative. The Board of Trustees shall determine the method, basis, priority, and order or retirement, if any, for all amounts furnished as capital.

Section 6. Retirement of Capital Credit Accounts.

Retirements of capital shall be mailed to the respective members and former members shown by the books of the Cooperative to be entitled thereto by first-class mail, postage prepaid, to their last known address as it appears on the books of the Cooperative, and in the event the retirement is returned by the post office because of the address of such member or former member being unknown, the total capital credited to such member or former member at the end of the fiscal year in which such retirement were ordered, if not theretofore claimed, may be charged against such member or former member's account and credited to the operating fund of the Cooperative. If such member or former member at any time thereafter shall establish his right to such capital, the Cooperative shall be obligated to restore capital to their account and to retire to them the capital theretofore ordered retired.

Notwithstanding any other provision of these Bylaws, the Board of Trustees, at its discretion, shall have the power at any time to retire capital credited to any member or former member heretofore or hereafter deceased prior to the time such capital would otherwise be returned under the provisions of these Bylaws if the legal representatives of such decedent's estate requests in writing the immediate retirement of such capital, upon such terms and conditions as the Board of Trustees, acting under policies of general application, and the legal representatives of such person's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

If any indebtedness due the Cooperative from any member or former member shall, in the opinion of the Board of Trustees, be uncollectible, such indebtedness may be charged against the capital credit or credits of the debtor.

Section 7. Assignment of Capital.

Capital credits to the account of each member who is a natural person may be assignable by such member or by the personal representative or next of kin of any deceased member, only on the books of the Cooperative pursuant to written instruction from the assignor and only to a natural person who is a successor in interest or successor in occupancy in all or part of such member's premises served by the Cooperative, unless the Board of Trustees, acting under policies of general application, shall determine otherwise.

Section 8. Operating Deficits.

In the event the Cooperative suffers a loss during the fiscal year, the Board of Trustees shall prescribe the basis on which the capital contributions of members shall be reduced on account of any such loss, so that it will be borne by the members on an equitable basis as the Board of Trustees shall find practicable.

Section 9. Effect of Articles of Conversion and Bylaws.

The members and other patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Conversion and Bylaws shall constitute and be a contract between the Cooperative and each of them, and both the Cooperative and the members and other patrons are bound by such contract, as fully as though each had individually signed a separate instrument containing such terms and provisions.

## **Article VIII DISPOSITION OF PROPERTY**

The Cooperative may not sell or lease all or any substantial portion of its property unless such sale or lease is authorized at a meeting of the members by the affirmative vote of not less than a majority of all the members of the Cooperative, and unless the notice of such proposed sale or lease 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, shall have full power and authority at any regular meeting of such Board at which all Trustees are present and on the affirmative vote of not less than a majority thereof, 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 or 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 the payment of any indebtedness of the Cooperative.

## **Article IX 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 1. 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 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 such 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.

Section 4. Fiscal Year.

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

## **Article XI MISCELLANEOUS**

Section 1. 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 Conversion of the Cooperative or these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

Section 2. Accounting System and Reports.

The Board of Trustees shall cause to be established and maintained a complete accounting system, which, among other things, shall, subject to applicable laws and rules and regulations of any regulatory body, conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. All accounts of the Cooperative shall be examined by the Board of Trustees at least four (4) times a year at regular meetings of the Board of Trustees. The Board of Trustees shall also select an annual audit date and a certified public accounting firm to make a full and complete audit of the accounts, books, and financial condition of the Cooperative as of the annual audit date. Such audit reports as it makes shall be made available to the members upon such member's request.

Section 3. Indemnification of Officers, Board Members, Employees and Agents.

The Cooperative shall indemnify any person 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) by reason of the fact that such person is or was a Board member, officer, employee or agent of the Cooperative, and who is or was acting in good faith and within the scope of said role on behalf of the Cooperative, against judgments, expenses (including attorney's fees), adjustments, fines and amounts paid in settlement actually and reasonably incurred by such person, and, with respect to any criminal action or proceeding, the individual had no reasonable cause to believe the conduct of such person was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon pleas 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 interest of the Cooperative, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct of such person was unlawful.

No indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudicated to be liable for willful misconduct in the performance of the duty of such person to the Cooperative, unless, and only to the extent the Board shall determine upon written request that, despite the adjudication of liability, but in view of all

the circumstances of the case, such person is fairly and reasonably entitled to indemnity of such expenses as the Board shall deem proper.

**Section 3.1. Determination of Indemnification.**

Any indemnification under these Bylaws (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case, upon a determination that indemnification of the Board member, officer, employee, or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Article XI, Section 3. Such determination shall be made:

- (1) By the Board by a majority vote of a quorum consisting of Board members who were not parties to such action, suit or proceedings; or
- (2) If such a quorum is not obtainable, or even if obtainable, if a quorum of disinterested Board members so directs, by independent legal counsel in a written opinion; or
- (3) By the members.

**Section 3.2. Expenses Advanced.**

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 by the Board in the specific case, upon receipt of a firm commitment by or on behalf of the Board member, officer, employee or agent to repay such amount, unless it shall ultimately be determined that he is entitled to be indemnified by the Cooperative as authorized in this Article.

**Section 3.3. Rights of Persons Indemnified.**

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw, agreement, vote of members or disinterested Board members, or otherwise, both as to action in their official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Board member, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

**Section 3.4. Insurance Coverage.**

The Cooperative may purchase and maintain insurance on behalf of any person who is or was a Board member, officer, employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a Board member, officer, employee or agent of another cooperative, association, 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 the status of such person as such, whether or not the Cooperative would have the power to indemnify such person against such liability under the provisions of this Article.

## **Article XII AMENDMENTS**

These Bylaws may be altered, amended or repealed by the members at any annual or special meeting provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.