

(Updated 9/13/06)

RESOLVED, that the following bylaws be and they are hereby adopted as the bylaws of the Cooperative:

**BYLAWS
OF
LEAVENWORTH-JEFFERSON
ELECTRIC COOPERATIVE, INC.**

**ARTICLE I
MEMBERSHIP**

SECTION 1. Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of Leavenworth-Jefferson Electric Cooperative, Inc., (hereinafter called the "Cooperative") by:

- (a) Making a written application for membership therein;
- (b) Agreeing to purchase from the Cooperative electric energy or electric distribution service "electric service" as hereinafter specified;
- (c) Agreeing to comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any rules and regulations adopted by the board of trustees; and
- (d) Paying the membership fee hereinafter specified;

provided, however, that no person, firm, association, corporation or body politic or subdivision thereof shall become a member unless and until he or it has been accepted for membership by the board of trustees or the members. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these bylaws.

At each meeting of the members held subsequent to the expiration of a period of six months from the date of incorporation of the Cooperative, all applications received more than ninety days prior to such meeting which have not been accepted or which have been rejected by the board of trustees shall be submitted by the Secretary to such meeting and, subject to compliance by the applicant with the requirements hereinabove set forth, any such application may be accepted by the vote of the members. The Secretary shall give each such applicant at least ten days written notice of the date of the members' meeting to which his application will be submitted and such applicant shall be entitled to be present, and heard at the meeting.

SECTION 2. Membership. Membership in the Cooperative shall be evidenced by the records maintained at the Cooperative offices. Such records shall contain no less than the name of the member, the equity number assigned to the member, the amount of the fee paid for the membership, and the date the membership was approved.

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

membership shall be as follows:

- (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 the 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, bylaws and rules and regulations adopted by the board of trustees. The outstanding membership shall be canceled, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.

(b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership shall be canceled, and shall be reissued in such manner as shall indicate the changed membership status; provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 5. Membership and Service Connection Fees. The Board of Trustees may establish a membership fee, a connection fee, and such other fees as may be necessary, in the Rules and Regulations of the cooperative.

SECTION 6. Purchase of Electric Energy/Electric Service; Cogeneration. Except in the case where a member is purchasing electric distribution service only, each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefor monthly at rates which shall from time to time be fixed by the board of trustees; provided, however, that the board of trustees may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. Where a member or applicant has made application for electric distribution service only, such member or applicant, as the case may be, shall, as soon as electric distribution service is made available, pay for such service at rates and/or upon the terms established by the Cooperative for such service. It is expressly understood that amounts paid for electric energy or electric distribution service in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these bylaws. Each member shall pay to the Cooperative such minimum amount per month regardless of the amount of electric energy consumed, as shall be fixed by the board of trustees from time to time, or as shall be established in a contract for service with the member, pursuant to policy established by the board of trustees or action taken by the board of trustees with respect to such contract. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable, provided, however, that Parallel Generation Contract Service required by Kansas law shall be permitted.

SECTION 7. Termination of Membership.

(a) 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 fails to comply with any of the provisions of the articles of incorporation, bylaws or rules or 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 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 or electric distribution service from the Cooperative, or of a member who has ceased to purchase energy or electric distribution from the Cooperative, shall be cancelled by resolution of the board of trustees.

(b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate, and the membership of such member shall be canceled by the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

(c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid in cash by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owing from the member to the Cooperative; and, provided further, however, 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 bylaws, shall be repaid to the member only in accordance with the provisions of these bylaws with respect to the retirement of patronage capital.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members. Upon dissolution, after

(a) All debts and liabilities of the Cooperative shall have been paid, and

(b) All capital furnished through patronage shall have been retired as provided in these bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the seven 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 for the Cooperative. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III MEETINGS OF MEMBERS

SECTION 1. Annual Meeting. The Annual Meeting of the members shall be held on a date selected by the Board of Trustees beginning with the year 1960, at such place in the counties of Leavenworth or Jefferson, State of Kansas, as shall be designated 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. It shall be the responsibility of the Board of Trustees to make adequate plans and preparations for the Annual Meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. Special Meetings. Special meetings of the members may be called by resolution of the board of trustees, or upon a written request signed by any three trustees, by the President, or by ten per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the County of Jefferson, State of Kansas, specified in the notice of the special meeting.

SECTION 3. Notice of Members' Meetings. Written or printed notice stating place, day and hour of 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 days nor more than twenty-five 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 member. If mailed, such notice shall be deemed to 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 which may be taken by the members at any such meeting.

SECTION 4. Quorum. Fifty 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. The minutes of each meeting shall contain a list of the members present in person. In the event a vote is to be taken on sale or transfer of the Cooperative, seventy-five per cent of the members must be present in person to constitute a quorum.

SECTION 5. Voting. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. The record date to determine members entitled to vote on any issue submitted to the members shall be ten days prior to the date upon which the notice of the member meeting is to be mailed. All questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the articles of incorporation or these bylaws.

The Board of Trustees may, in their discretion, authorize a vote on an issue to come before the membership by mail ballot. No mail ballot shall be utilized in connection with a sale or disposition of all or a substantial portion of the cooperative assets pursuant to Article VIII of these bylaws nor for any other issue requiring the presence of the members at a meeting under state law, the Articles of Incorporation of this Cooperative, or these bylaws.

Members submitting a completed mail ballot may not vote at the membership meeting specified in the mail ballot regarding any matter described in the mail ballot, but such mail ballot shall count as the members vote if properly completed and received on or before the time and date specified in the ballot. Each completed mail ballot received by the Cooperative prior to the membership meeting may be counted in determining whether a quorum exist at the membership meeting.

A notice accompanying each mail ballot or the mail ballot must:

- a. Set forth and describe each proposed action, identify any candidate, and include the language of any motion, resolution, Bylaw Amendment, or other written statement, upon which a Member is asked to vote;

- b. State the date of any membership meeting at which members are scheduled to vote on the matter;
- c. Provide an opportunity to vote for or against, or to abstain from voting on, each proposed action;
- d. Instruct the Member how to complete and return the completed mail ballot; and,
- e. State the time and date by which the Cooperative must receive the completed ballot.

Unless otherwise provided by the Board, a member may not revoke a completed ballot received by the Cooperative. A member's failure to receive a ballot does not affect any action taken by mail ballot provided that the records of the cooperative show that the ballot was deposited in the United States Mail, postage prepaid, to the record address of the member.

SECTION 6. Proxies. 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 valid 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. A member may give his proxy only to another member or to an adult relative living in the same home with such member, and no person may hold more than one proxy at any meeting. The presence of a member at a meeting 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. The minutes of each meeting shall contain a list of the members represented by proxy and of their respective proxies. No proxies shall be acceptable if a vote for sale or transfer of Cooperative is being considered or if the vote of the member is one for which mail balloting is provided.

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. Reports of the number of members present in person in order to determine the existence of a quorum.
2. Report on the number of members represented by proxy and the names of their respective proxies.
3. 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 cause may be.
4. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
5. Presentation and consideration of reports of officers, trustees and committees.
6. Election of trustees.
7. Unfinished business.
8. New business.
9. Adjournment

ARTICLE IV TRUSTEES

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

SECTION 2. Election and Tenure of Office. The persons named as trustees in the articles of incorporation shall compose the board of trustees until the first annual meeting or until their successors shall have been elected and shall have qualified. At the annual meeting 1971 the trustees shall be elected

for 3-year terms, and the years 1971 and 1972, 3-year terms to be decided by the highest number of votes, the other two will be elected for 2 years; in 1972, three will be elected for 3 years and one for 1 year, based on the highest number of votes, and in 1973 and thereafter, three will be elected each year. All trustees shall be elected by secret ballot of the members and they shall serve until their successors shall have been elected and shall have qualified. If an election of trustees shall not be held on the day designated herein for the annual meeting it shall be held for the purpose of electing trustees within a reasonable time thereafter. Trustees may be elected by a plurality vote of the members.

SECTION 3. Qualifications. No person shall be eligible to become or remain a trustee or to hold any position or trust in the Cooperative who:

- (a) is not a member and bonafide resident, and receiving electric service in the Trustee District the person was elected to represent or seeks to represent; or
- (b) is in any way employed by or financially interested in an enterprise selling electric energy or services; or is employed by or financially interested in a business that sells services or supplies to the cooperative.
- (c) is currently an employee of the Cooperative or has been employed by the Cooperative within three years of the date of the election for the trustee position.
- (d) is a close relative (spouse, child, grandchild, grandparent, parent, sibling, niece, nephew by blood or adoption) of a person serving as a trustee or employee of the cooperative.
- (e) has entered a plea of guilty or no contest or has been adjudged as guilty of a felony crime in the state of Kansas or any other state.

Upon establishment of the fact that a trustee is holding office in violation of any of the foregoing provisions, the board of trustees shall remove such trustee from office.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the board of trustees.

SECTION 4. Nominations, Trustee Districts. The trustees of the Cooperative shall apportion the geographical area served by the Cooperative into nine districts and one trustee shall be elected by the entire membership of the Cooperative to represent the members residing in that district in connection with matters brought before the board of trustees by the membership. The trustee shall be a bonafide resident of the district he or she shall be 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, but no single criteria shall be used in determining such district lines. The trustees shall examine the trustee districts from time to time to assure continued representation of the membership based upon the aforesaid criteria.

It shall be the duty of the board of trustees to appoint, not less than sixty days nor more than one hundred and fifty days before the date of a meeting of the members at which trustees are to be elected, a committee on nominations consisting of two members, whom shall be selected from each trustee district whose trustee position is scheduled for election in the year the nominating committee is appointed. A nominating committee member must have an electric service account within the trustee district for which they have been selected to serve. In the event that a new trustee district(s) is effective on or about the annual meeting date, the appointed nominating committee members shall be based on the new trustee district(s). No member of the board of trustees may serve on the nominating committee.

The nominating committee shall prepare and post at the principal office of the Cooperative at least twenty-five days before the meeting a list of nominations for trustees, each nominee being a bonafide

resident of the trustee district whose term stands for election. The list of nominations for trustee may include a greater number of candidates than are to be elected from any district. Any fifteen or more members, residing in a trustee district, acting together, may make other nominations by petition not less than twenty-five days prior to the meeting and the Secretary shall post such nominations at the same place where the nominating committee list is located. The person or persons nominated by petition shall be a resident of, and an otherwise qualified candidate for, election to the trustee position standing for election.

The Secretary shall mail with the notice of the meeting, or separately, but at least seven days before the date of the meeting, a statement of the number of trustees to be elected, the names and addresses of the candidates, specifying separately the nominations made by the nominating committee and also the nominations made by petition, if any.

The chairman of the meeting of the membership 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 have been made. Nominations from the floor shall be for a person who resides in, and is a candidate for, election to the trustee position standing for election. 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 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 meeting 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 bylaws with respect to the filling of vacancies caused by the removal of trustees by the members, such vacancy, or any other 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 of attendance, if any, may be allowed for attendance at each meeting of the board of trustees, or other business meetings as designated by the board of trustees. 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 such trustee or close relative shall have been certified by the board of trustees as an emergency measure.

ARTICLE V MEETINGS OF TRUSTEES

SECTION 1. Regular Meetings. The regular monthly meeting of the board of trustees shall be held at such time and place in the cooperative's service area or the cooperative's headquarters, 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 the trustees calling the meeting, shall fix the time and place which shall be in the cooperative's service area or the cooperative's headquarters for the holding of the meeting.

SECTION 3. Notice of Trustees' Meetings. Written notice of the time, place and purpose of any special meeting of board of trustees shall be delivered to each trustee not less than five 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 records of the Cooperative, with postage thereon prepaid.

SECTION 4. 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.

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 of Treasurer may be held by the same person.

SECTION 2. Election and Term of Office. The officers shall be elected by ballot, annually, by and from the board of trustees. The election of officers shall be held at the first meeting of the Board of Trustees following the Annual 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 Secretary, certificates of membership, the issue of which shall have been authorized by the board of trustees or the members, 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 in which 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 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 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 to him by the board of trustees.

SECTION 6. Secretary. The Secretary shall:

- (a) keep 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 bylaws 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 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 names and post office addresses of all members;
- (e) sign, with the President, certificates of membership, the issue of which shall have been authorized by the board of trustees or the members;
- (f) have general charge of the books of the Cooperative;
- (g) keep on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative forward a copy of the bylaws and of the amendments thereto to each member; 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 him by the board of trustees.

SECTION 7. 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 all money due and payable to the Cooperative and for the deposit of all such money in the name of the Cooperative in such 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 him 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 the board of trustees may from time to time vest in him.

SECTION 9. Bonds of Officers. The treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall 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 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 bylaws with respect of compensation for trustees and close relatives of 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 Service. In the furnishing of electric service the Cooperative's operations shall so be 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, for all amounts received and receivable from the furnishing of electric 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 pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, 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 furnished the Cooperative corresponding amounts for capital.

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 Trustees shall have the sole discretion to determine the time, place, and manner of such retirement: PROVIDED, however, that the Board of Trustees shall have the power to adopt rules providing for the separate retirement of that portion ("power supply or other service or supply portion") of capital credits to the accounts of patrons which corresponds to capital credited to the accounts of the Cooperative by an organization furnishing power supply or any other service or supply to the Cooperative. Such rules shall (a) establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's patrons, (c) provide for appropriate notifications to patrons with respect to such portions of capital credited to their accounts and (d) preclude a general retirement of such portions of capital credited to patrons for any fiscal year prior to the general

retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year.

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 any occupancy in all or a part of such patron's premises served by the Cooperative unless the board of directors, acting under policies of general application, shall determine otherwise. In the event that a non-member patron shall elect to become a member of the Cooperative the capital credited to the account of such non-member patron may be applied by the Cooperative toward the payment of a membership fee on behalf of such non-member patron.

Notwithstanding any other provision of these bylaws, 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 bylaws, 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, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The 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 patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

SECTION 3. Nonpatronage Income. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons as herein provided.

ARTICLE VIII DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property (only as permitted by REA) unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than a majority of all of the members 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, 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 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 where ever 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; provided further that the board of trustees may upon the authorization of a majority of these members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another cooperative or foreign corporation doing business in this State pursuant to the Act under which this Cooperative is incorporated; or to a municipality or other body politic or subdivision thereof.

**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. Change in Rates. Written notice shall be given to the Administrator of the Rural Electrification Administration of the United States of America not less than ninety days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy or electric distribution service becomes effective.

SECTION 5. Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first of December of the same 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 bylaws. 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 in case 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 lawfully 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 or these bylaws, 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 designated by the Administrator of the Rural Electrification Administration of United States of America. 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. The trustees shall designate the audit period by appropriate resolution, and shall have an audit

performed during each calendar year. Such audit reports shall be submitted to the members at the next following annual meeting.

SECTION 4. Indemnification. The Cooperative shall have the power to 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 as a board member, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees) actually and reasonably incurred by such person 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 the conduct or 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 lawful.

The Cooperative shall have the power to indemnify any person who was or is a party, or is threatened to be made a party to, any threatened, pending, or completed action or suit by, or in the right of, the Cooperative to procure a judgment in its favor by reason of the fact that such person is, or was, a board member, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith, and in a manner such person reasonably believed to be in or not opposed to the best interests of the Cooperative. No indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjusted to be liable for negligence or misconduct in the performance of the duty of such person to the Cooperative, unless, and only the extent the Court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably incurred by such person in connection therewith.

Any indemnification under this section (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 herein. 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.

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 members, 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.

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 of disinterested board members, or otherwise, both as to action in his 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 a person.

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 or 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 regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

Final updated 9/13/06