

**BYLAWS  
OF  
BLUESTEM ELECTRIC COOPERATIVE, INC.**

**ARTICLE I MEMBERSHIP**

**SECTION 1.01. Eligibility.** Any person, firm, association, or body politic, including, but not limited to, corporation, partnership, limited liability company, limited partnership, trust, etc., will become a member of the Bluestem Electric Cooperative, Inc. (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he, she or it has first:

- (1) Made a written application for membership on forms provided by the Cooperative;
- (2) Agreed to purchase or accept delivery of electric energy or any other services, products, commodities, equipment or facilities from or through the Cooperative;
- (3) Agreed to comply with and be bound by the Articles of Incorporation, Bylaws, and Rules and Regulations adopted and amended from time to time by the Board of Trustees (hereinafter called the "Board");
- (4) Paid the required membership fee. No individual may hold more than one membership. No membership is transferable, except on the books of the Cooperative and as provided for in these bylaws; and
- (5) Been accepted for membership by the Board.

**SECTION 1.02. Membership Record.** The Cooperative shall maintain membership records at its principal office, including a roll of members which shall include the name and address of each member of the Cooperative and such other information as may be deemed advisable by the Board. No membership certificates shall be issued.

**SECTION 1.03. Membership Fees.** The membership fee shall be set by the Board.

**SECTION 1.04. Membership Definitions.** Memberships in the Cooperative are extended to individual (natural or corporate) or joint members who meet the requirements of Article I. The term "member" as used in these bylaws shall refer to an individual (natural or corporate) or joint membership.

**SECTION 1.05. Joint Memberships.** Joint memberships may be held by a husband and wife, or between or among natural individuals, upon acceptance for membership by the Board. A membership may be converted to a joint membership upon the written request of the member, and the agreement of the member and the spouse, or the agreement of any and all individuals requesting to be a party to the joint membership, to be added to comply with the Articles of Incorporation, bylaws, and rules and regulations adopted by the Cooperative. The application for Joint Membership may be signed by either husband or wife or any individual who is a party to the proposed joint membership.

Any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. The effect of the following actions by the holders of a joint membership shall be as follows:

- (1) The presence at a meeting of any or all shall be regarded as the presence of one member, and shall constitute a joint waiver of notice of the meeting;
- (2) Either separately or jointly shall cast only one vote on behalf of the joint membership;
- (3) A waiver of notice signed by any or all shall constitute a joint waiver;
- (4) Notice to any shall constitute notice to all;
- (5) Expulsion of any shall terminate the joint membership;
- (6) Withdrawal of any shall terminate the joint membership; and
- (7) Any, but not all, may be elected or appointed as an officer or Trustee, provided that all meet the qualifications for such office.

Upon the death of either spouse, or any individual, who is party to the joint membership, the membership shall be held solely by the

survivor(s). The estate of the deceased shall not be released from any debts due the Cooperative.

**SECTION 1.06. Purchase of Electric Service.** The term "electric service" as used in these Bylaws shall mean the purchase, sale, and delivery of electric energy and all ancillary and related services incidental thereto, including services provided by the Cooperative with or through a partnership, limited liability company or similar organization. Electric services purchased by the member for use on the premises specified in the membership application shall be purchased from or delivered by the Cooperative. Rates and terms shall be fixed by the Board. Production or use of electric energy by facilities which are interconnected with cooperative facilities shall be subject to regulation by the Cooperative.

It is expressly understood that amounts paid for services by the Cooperative in excess of the cost of service are furnished by members as capital. Each member's account shall be credited with the capital so furnished as provided in these bylaws.

The Cooperative shall provide Cooperative services to members in a reasonable manner. The Cooperative, however, neither guarantees nor warrants continuous or flawless provision of Cooperative services. The Cooperative's responsibility and liability for providing Cooperative services terminates upon delivery of any Cooperative service to a member or other person acting for a member.

**SECTION 1.07. Termination of Membership.** Any member may withdraw from membership upon compliance with terms and conditions set forth in this article. The Board may expel a member who fails to comply with the Articles of Incorporation, bylaws, or rules and regulations by an affirmative vote of two-thirds of all members of the Board. The member shall have been given written notice of the failure and such failure shall have continued for at least ten days after the notice was given.

Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting.

The membership of a member who has ceased to purchase electric service from the Cooperative may be terminated by resolution of the Board.

A membership shall terminate upon the withdrawal, death, cessation of existence or expulsion of the member. Membership termination shall not release an obligation to pay any debt due the Cooperative.

In case of withdrawal or termination of membership, the Cooperative shall return the membership fee, after deducting any debts or obligations owed to the Cooperative.

**SECTION 1.08. Membership Required.** Membership in the Cooperative is required to receive electric service from the Cooperative. If a patron receives electric service from the Cooperative without becoming a member, the Board may furnish the patron with a membership retroactive to the date such service was first furnished and the books and records of the Cooperative, to the extent practicable, shall be revised to reflect such membership.

**SECTION 1.09. Inactive Membership.** A membership shall be considered inactive if the member is not purchasing electric service from the Cooperative. An inactive member shall not have the right to vote, hold office, receive notice or participate in meetings of the members.

**SECTION 1.10. Suspension and Reinstatement of Membership.** Memberships will automatically be suspended upon the failure to pay, after proper notice, amounts due the Cooperative or upon violation of the Cooperative bylaws or the rules and regulations adopted by the Board. A suspended member may not vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, and/or the cure of any breach of membership obligations or violations of rules and regulations shall automatically reinstate the membership.

## **ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS**

**SECTION 2.01. Property Interest of Members.** Upon dissolution, after (a) all debts of the Cooperative have been paid, and (b) all membership fees have been repaid, the remaining property and assets of the Cooperative shall be distributed among the members of the Cooperative as specified in these bylaws or as otherwise provided by law. Termination of membership shall operate as a release of all right, title and interest of the members in the property or assets of the Cooperative.

**SECTION 2.02. Non-Liability for Debts of the Cooperative.** The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be personally liable or responsible for any debts or liabilities of the Cooperative.

## **ARTICLE III MEETINGS OF MEMBERS**

**SECTION 3.01. Annual Meeting.** The Annual Meeting of the Members shall be held during the months of March or April each year on a date and at a time designated by the Board, for the purpose of passing upon reports covering the previous fiscal year and transacting such other

business as may come before the meeting. Annual meetings will alternate between Wamego and Clay Center. Or, in the alternative, the Board may, by a 2/3 majority, designate the annual meeting to be in any County where the Cooperative is providing electrical service. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

**SECTION 3.02. Special Meetings.** Special meetings of the members may be called by resolution of the Board or by petition signed by at least ten percent of all members of the cooperative or of a district. It shall be the duty of the Secretary to cause notice of the meeting to be given as specified in Section 3.04. The Board may designate the special meeting to be in any County where the Cooperative is providing electrical service.

**SECTION 3.03 Special District Meetings.** Special meetings of districts one and/or two, and three and/or four may be called by resolution of the Board of Trustees or by a petition signed by at least 10% of all members of the district or districts for the purpose of receiving and acting on information relative to the removal of a Trustee as set out in Section 4.06. It shall be the duty of the Secretary to cause notice of the meeting to be given as specified in Section 3.04. If the special meeting is of members of district one and/or two, it shall be in Clay Center, and if the special meeting is of members of district three and/or four, it shall be in Wamego.

**SECTION 3.04 Notice of Member Meetings.** Written notice of membership meetings stating the date, time, location, new business and purpose of the meeting shall be delivered not less than ten days nor more than thirty-five days before the date of the meeting, either personally, by mail, or by any other method, electronically or otherwise, that the Board deems appropriate. Notice of Member meetings shall be deemed as delivered upon the origination of any delivery method used. The incidental or unintended 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 3.05 Quorum.** Business may not be transacted at any meeting of the members unless there are present, in person or by proxy, at least seventy-five members, except that, if less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date. At all meetings of the members, whether a quorum is present or not, the Secretary shall affix to the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person or by proxy. A quorum for a special meeting of members of one or more districts shall be twenty-five members from each district in person or by proxy.

**SECTION 3.06 Voting.** Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. The representative of a corporate member shall be permitted to vote upon presenting to the Secretary satisfactory credentials and authority to vote on behalf of such member. All questions, except those involving multiple choice issues or determinations, shall be decided by a vote of a majority of the members voting thereon, except as otherwise provided by law, the Articles of Incorporation or these bylaws. Multiple choice issues or determinations shall be decided by a plurality vote. If in the election there is a tie, such tie may be resolved by means of a coin flip or in such other manner as may be designated by the Board. Voting procedure shall be determined by the board.

**SECTION 3.07 Mail Ballot.** Issues may be presented to the members by means of a written ballot forwarded to the members and returned to the Cooperative by mail or hand delivered. Except as provided hereinafter, the Board shall determine which issues are decided by a mail ballot and the terms, conditions and procedures to regulate its use. Issues will be decided by a majority of the mail ballots received and shall have the same force and effect as a vote taken at a meeting of the members.

**SECTION 3.08 Proxy Voting.** Members may vote by proxy at a meeting of members. The member voting proxies must be a voting member of the meeting. A member may be a proxy for no more than three members. All proxies must be in writing and signed by the member on a form provided by the cooperative or deemed satisfactory by the Secretary. Proxies may not be used for mail ballot voting.

**SECTION 3.09 Order of Business.** The order of business at the annual meeting of members and, so far as possible at all other meetings of the members, shall be conducted under policies established by the Board and under an agenda essentially as follows:

- (1) Determine the existence of a quorum;
- (2) Proof of the timely publication or mailing of the notice of meeting or the waiver of the notice of meeting;
- (3) Review and approval of minutes of previous meetings of the members;
- (4) Presentation and consideration of reports of officers, Trustees, managers and committees;
- (5) Unfinished business;
- (6) New business; and
- (7) Adjournment.

SECTION 3.10 Any requested items of new business must be presented to the Board, in writing, not less than ninety (90) days before the annual meeting. The Board shall take action on any items of new business presented by a Petition signed by not less than five percent (5%) of the members, by submitting the question(s) to the members by a mail ballot or by inclusion on the agenda of a Special Meeting or Annual Meeting. Notice of new business for consideration at the annual meeting shall be included in the written notice of the Annual Meeting as provided in Section 3.04.

#### ARTICLE IV BOARD OF TRUSTEES.

SECTION 4.01 **General Powers.** The business and affairs of the Cooperative shall be directed by a Board of eleven, which shall exercise all the powers of the Cooperative, except those that are prescribed by law, the Articles of Incorporation, or these bylaws, conferred upon or reserved to the members.

SECTION 4.02 **Qualifications to be Nominated, Elected and Remain a Trustee.** Any natural person shall be eligible to be nominated, elected and remain a Trustee of the Cooperative who:

(1) Is a member of the cooperative and is a bona fide resident, in the Trustee district which the member is to represent.

(2) Is not an employee of the Cooperative or in any way financially interested in a competing enterprise or a business engaged in selling energy, energy services or energy supplies or maintaining energy producing or selling facilities. However, the Board may grant exceptions for "de minimus" competing enterprises;

(3) Is not related to an incumbent Trustee or an employee of the Cooperative. The term "related" means the relationship of spouse (including common law spouse), child (step/in-law/grand), brother (step/in-law), sister (step/in-law), parent (step/in-law), grandparent, aunt, uncle, nephew, niece, or co-habitant. Upon establishment of the fact that a Trustee is holding the office in violation of any of the foregoing provisions, the Trustees shall remove the Trustee from office.

Nothing contained in this section shall affect the validity of any action taken at any meeting of the Trustees.

SECTION 4.03 **Districts.** The territory of the Cooperative shall be divided into four Trustee districts for the purpose of constituting the Cooperative's Board of Trustees. The Trustee districts shall include all of the area contained within the exterior boundaries of the Cooperative service territory, as amended from time to time, together with all of the area within any exterior square mile section which contains any Cooperative service territory (herein a "service section"). The boundaries of Trustee districts shall be depicted on an official territory and Trustee district map adopted and approved by the Board of Trustees of the Cooperative. An official territory and Trustee district map shall be maintained, for membership review and inspection, at both the Wamego and Clay Center offices. Except for service sections bisected by the Kansas River, no service section shall be within more than one Trustee district. The Board may amend the boundaries of the districts, from time to time, as deemed necessary or appropriate.

(1) DISTRICT ONE: That portion of the Cooperative service territory together with any service section located North of the township Six (6) and Seven (7) boundary line, South of the Kansas-Nebraska baseline and West of the Big Blue River.

(2) DISTRICT TWO: That portion of the Cooperative service territory together with any service section located South of the township Six (6) and Seven (7) boundary line, South of the Kansas-Nebraska baseline and West of the Big Blue River.

(3) DISTRICT THREE: That portion of the Cooperative service territory together with that part of any service section located North of the Kansas River and East of the Big Blue River.

(4) DISTRICT FOUR: That portion of the Cooperative service territory together with that part of any service section located South of the Kansas River.

SECTION 4.04 **Trustee Positions and Term of Office.** Trustees shall be elected from each district, only by the members from such district (eligible members), as described hereinafter, for a term of three calendar years as terms of office expire or until their successors shall have been elected and qualified. The number of Trustees for each district and the three-year election cycle for each position within each district shall be as described below.

District One shall have two Trustees.

**Position One** begins January 1, 2014; and

**Position Two** begins January 1, 2015.

District Two shall have two Trustees.

**Position One** begins January 1, 2015; and

**Position Two** begins January 1, 2014.

Districts One and Two shall have one Trustee "At Large".

"**At Large**" begins January 1, 2016.

District Three shall have three Trustees.

**Position One** begins January 1, 2015;

**Position Two** begins January 1, 2016; and

**Position Three** begins January 1, 2014.

District Four shall have two Trustees.

**Position One** begins January 1, 2015; and

**Position Two** begins January 1, 2014.

Districts Three and Four shall have one Trustee "At Large".

"**At Large**" begins January 1, 2016.

**SECTION 4.05 Nomination of Trustees.** The Board shall appoint a nominating committee, on or before the first day of October of each year, consisting of not less than one, nor more than five members from each district for whom a Trustee is to be elected. Board members may not serve on the nominating committee. Only committee members from each district will nominate their own candidate. Committee members from districts one and two will meet together at Clay Center and committee members from districts three and four will meet together at Wamego. Nominating committees shall meet during the month of October. On or before the first day of November, the nominating committee shall prepare and post a list of nominations for Trustee at the Wamego office if a Trustee is to be elected from districts three and four and at the Clay Center office if a Trustee is to be elected from districts one or two. The committee shall nominate one or more candidates for each position.

Nominations may be made by petition, filed on or before the close of business, November 30, at the Wamego office for Trustees to be elected from districts three and four, and at the Clay Center office for Trustees to be elected from districts one or two. The petition must be signed by not less than 5% of the members of the district for whom the Trustee is to be elected. The secretary shall immediately post such nominations at the same place where the list of nominations by the committee is posted. Nominations made by petition shall appear on the ballot in the order received.

**SECTION 4.06 Election of Trustees.** The election of Trustees shall be by mail ballot. Only those nominees selected by the nominating committee or nominated by petition shall appear on the ballot. There may be write-in votes for a qualified member not named on the ballot. The ballot shall first list the name(s) nominated by the committee, then the name(s) nominated by petition in the order received and, at the end, a place to write in a name. Failure of strict compliance with the provisions of this section shall not affect the validity of any election of Trustees.

The secretary shall mail the ballots to the respective members on or before the 10th day of December of each year. On or before the first day of January of each year, ballots must be post marked or received at the Wamego office or the Clay Center office.

**SECTION 4.07 Removal of Trustees.** Trustees may be removed prior to expiration of their term only by members of their district in a special mail ballot election. A special meeting of the members of the district may be called by a majority of the Trustees or a Petition signed by not less than five percent (5%) of district members. The Special Member Meeting will provide a forum for the Board and Members to present information for and/or against the Trustee sought to be removed. A special election may be called by resolution of a majority of the Members at the Special Meeting or by a majority of the Trustees at the special meeting or at any time thereafter.

**SECTION 4.08 Resignations and Vacancies.**

(1) A Trustee may resign at any time by written resignation delivered to the President or Secretary of the Cooperative. A resignation is

effective when the resignation is delivered, unless it specifies a future date.

(2) Except for the involuntary removal of a Trustee prior to the expiration of term as provided in Section 4.07 above, a majority of the Trustees may make an administrative determination when a vacancy exists, which includes but is not limited to death, judicial disability, failure to qualify, etc.

(3) A vacancy shall be filled by the board with an eligible member for the unexpired portion of the term until the successor is elected.

**SECTION 4.09 Compensation.** Trustees shall not receive any salary for their services as such, however, the Board may, by resolution, provide reasonable compensation to be paid to each Trustee for services rendered on behalf of the Cooperative as a Trustee, such as attendance at meetings, conferences and training programs or performing committee assignments. The Board may also authorize reimbursement of Trustees or committee members for expenses actually and necessarily incurred in carrying out such Cooperative business, or grant a reasonable per diem allowance in lieu of detailed accounting for such expenses. A Trustee may also receive compensation for services rendered as an officer of the Cooperative, but no Trustee shall receive compensation for serving the Cooperative in any other capacity, except in emergency.

**SECTION 4.10 Standard of Conduct**

(1) A Trustee shall discharge the Trustee's duties, including duties as a Board committee member, in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the Trustee reasonably believes to be in the Cooperative's best interest.

(2) The standards of conduct, policies and procedures provided for in Kansas Law for Public Officials is adopted by reference.

**ARTICLE V MEETINGS OF THE BOARD**

**SECTION 5.01 Regular Meetings.** A regular meeting of the Board shall be held periodically, but not less than bi-monthly, at a date and time as the Board may provide by resolution.

Regular Trustees' meetings will alternate between Wamego and Clay Center, Kansas. Or, in the alternative, the Trustees may, by a 2/3 majority, designate the regular meeting to be in any County where the Cooperative is providing electrical service.

Regular Trustees' meetings may be held without notice other than such resolution fixing the time, date and place thereof. Failure to hold the regular meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

**SECTION 5.02 Special Meetings.** Special meetings of the Board may be called by the President or by any three Trustees, and it shall be the duty of the Secretary to cause notice of such meeting to be given as provided in Section 5.03. The Trustees may designate the Special Trustees' meeting to be at any location within the State of Kansas.

**SECTION 5.03 Notice of Meeting.** The Secretary shall cause written notice of the time, place and purpose of any special meeting of the Board to be delivered to each Trustee not less than ten days prior to the meeting, either personally or by mail, or by any other method, electronically or otherwise, that the Board deems appropriate. Upon a default in duty of the Secretary, the President or the Trustees calling the meeting shall cause notice to be given. Notice of a special meeting of the Board shall be deemed as delivered upon the origination of any delivery method used.

**SECTION 5.04 Quorum.** A majority of the Board shall constitute a quorum. If less than a majority of the Trustees are present at a meeting, a majority of the Trustees present may adjourn the meeting from time to time and 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. Trustees must attend, and vote, in person and may not attend or vote by proxy.

**SECTION 5.05 Unanimous Consent in Writing.** To the extent not prohibited by law, board action may be taken without a meeting, and without a vote if unanimous consent of the Board is obtained in writing setting forth the action to be taken in detail, and the document is signed by all Trustees entitled to vote.

**SECTION 5.06 Displaced Board Meetings.** All or part of the Trustees may participate in a meeting of the Board by means of conference telephone, video teleconferencing or similar communications methods whereby all persons participating in the meeting can hear each other simultaneously, reasonably verify identity and simultaneously and approximately instantaneously communicate with each other during the meeting. Participation in a meeting in this manner shall constitute presence in person at such meeting. Displaced Board meetings are subject to all notice and other requirements of meetings.

## ARTICLE VI OFFICERS

SECTION 6.01 **Number.** The officers of the Cooperative shall be President, Vice-President, Secretary, Treasurer and such other officers as may be determined by the Board. The officers must be Trustees of the cooperative.

SECTION 6.02 **Election of Officers and Term of Office.** The officers shall be elected by ballot annually by and from the Board without prior nomination at the first meeting of the Board following the election of Trustees. Officers shall be President, Vice-President, Secretary and Treasurer and such other officer positions as the Board determines. Each officer shall hold office until the first meeting of the Board following the next succeeding annual election of Trustees or until his or her successor has been elected and qualified. Except as otherwise provided in these bylaws, the vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 6.03 **Removal of Officers and Agents.** Any officer or agent elected or appointed by the Board may be removed by the Board whenever, in its judgment, the best interests of the Cooperative will be served.

SECTION 6.04 **President.** The President Shall:

(1) Be the chief executive officer of the Cooperative and, unless otherwise determined by the Trustees, shall preside at all meetings of the members and the Board;

(2) Sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board, except in cases in which the signing and execution shall be expressly delegated by the Board, these bylaws, or by law to some other officer or agent; and

(3) In general, perform all duties incident to the office of President and other such duties prescribed by the Board.

SECTION 6.05 **Vice-President.** The Vice-President shall perform the duties of the President in his/her absence, or in the event of his/her inability or refusal to act. When so acting, the Vice-President shall have all of the powers of and be subject to all the restrictions upon the President. The Vice-President shall also perform such other duties as may be assigned by the board.

SECTION 6.06 **Secretary.** The Secretary shall be responsible for:

(1) Keeping the minutes of the meetings of the members and of the Board;

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

(3) The safekeeping of the corporate books and records and of the seal of the Cooperative, and affixing the seal of the Cooperative to all appropriate documents.

(4) Keeping a register or roll of members setting forth the names and post office addresses of all members.

(5) Keeping a complete copy of the Articles of Incorporation and bylaws of the Cooperative, and at the expense of the Cooperative, forwarding a copy of the bylaws to each member requesting the same; and

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

SECTION 6.07 **Treasurer.** The Treasurer shall be responsible for:

(1) Custody of all funds and securities of the Cooperative;

(2) The receipt of and the issuance of receipts for all moneys and for the deposit of all moneys in the name of the Cooperative in banks selected by the Board in accordance with the provisions of these bylaws; and

(3) The general performance of all the duties incident to the office of Treasurer and such other duties as may be assigned by the Board.

SECTION 6.08 **General Manager.** The Board shall appoint a General Manager. The General Manager shall:

(1) Be the chief administrative officer responsible for the general direction, coordination and control of all operations in accordance with the policies adopted by the Board, subject to the direction and instruction of the Board;

(2) Have supervision over and be responsible for the operations of the Cooperative and, in performing this duty, carry out and administer the policies adopted by the Board;

(3) Prepare for the Board such reports and budgets as are necessary to inform the Board concerning the operation of the Cooperative; and

(4) In general, perform all duties incident to the office of General Manager as chief administrative officer and perform such other duties as may be assigned by the Board.

**SECTION 6.09 Other Appointed Positions.** The Board may appoint such other agents and employees as it deems necessary.

**SECTION 6.10 Bonds.** The Treasurer and any other officer or agent of the Cooperative charged with responsibility for custody of any of its funds or property shall be bonded in such sum and with such surety as the Board shall determine. The Board, in its discretion, may also require any other officer, agent or employee to be bonded in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

**SECTION 6.11 Compensation.** The powers, duties and compensation of officers, agents and employees shall be fixed by the Board, subject to the provisions of these bylaws.

**SECTION 6.12 Reports.** The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year, as directed by the Board. Such reports shall set forth the conditions of the Cooperative at the close of the fiscal year.

**SECTION 6.13 Delegation of Secretary's and Treasurer's Responsibilities.** The Board of Trustees may delegate, wholly or in part, the responsibility and authority of one or more of each such officer's duties to one or more agents, other officers, or employees of the Cooperative who are not Trustees. To the extent the Board does so delegate the responsibilities, that officer shall be released from such duties, responsibilities, and authorities.

## **ARTICLE VII INDEMNIFICATION OF OFFICERS, EMPLOYEES, TRUSTEES AND AGENTS.**

**SECTION 7.01 Scope of Indemnification.** 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 proceedings, 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 Trustee, officer, employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a Trustee, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided 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 and, with respect to any criminal action or proceedings, 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 interests of the Cooperative, and, with respect to any criminal action or proceeding, had reasonable excuse to believe that the conduct of such person was not unlawful.

**SECTION 7.02 Indemnification for Good Faith Action.** 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 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 Trustee, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a Trustee, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' 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 adjudged to be liable for negligence or misconduct in the performance of the duty of such person to the Cooperative, unless and only, to the extent that 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 entitled to indemnity of such expenses as the court shall deem proper.

**SECTION 7.03 Cost of Defense Indemnified.** To the extent that a Trustee, officer, employee or agent of the Cooperative has been successful on the merits or otherwise, in the defense of any action, suit or proceeding referring to in Sections 7.01 and 7.02, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therein.

**SECTION 7.04 Amount of Indemnification.** Any indemnification under Sections 7.01 and 7.02 (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 trustee, officer, employee or agent is proper in



the circumstances because such person has met the applicable standard of conduct set forth in Sections 7.01 and 7.02. Such determination shall be made:

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

**SECTION 7.05 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 Trustee, officer, employee or agent to repay such amount, unless it shall ultimately be determined that he or she is entitled to be indemnified by the Cooperative as authorized in this Article.

**SECTION 7.06 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 Trustee, or otherwise, both as to action in his/her 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 Trustee, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

**SECTION 7.07 Insurance Coverage.** The Cooperative may purchase and maintain insurance on behalf of any person who is or was a Trustee, officer, employee or agent of the Cooperative, or who is or was serving at the request of the Cooperative as a Trustee, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against liability asserted against such person and incurred by such person in any 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 any liability under the provisions of this Article.

## **ARTICLE VIII NON-PROFIT OPERATION**

**SECTION 8.01 Interest or Dividends on Capital Prohibited.** The Cooperative shall be operated on a cooperative non-profit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

**SECTION 8.02 Patronage Capital in Connection with Furnishing Electric Service.** The Cooperative's operation shall be conducted so that all patrons will furnish capital for the Cooperative through their patronage. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative shall account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric service in excess of the sum of (a) operating costs and expenses properly chargeable against the furnishing of electric service, and (b) amounts required to offset any losses incurred during the current or any prior fiscal year. All 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 as capital. The Cooperative is specifically authorized to maintain one or more pools of income through which it determines the patronage sourced income which it is obligated to distribute pursuant to this section 8.02.

For purposes of this Article VIII, patron is defined to include all Members, all patrons purchasing electric service from the Cooperative and all other persons approved as a patron by the Board of Trustees who purchase other products or services from or through the Cooperative. The Cooperative is obligated to allocate credits to a capital account for each patron all such amounts in excess of operating costs and expenses: PROVIDED, that such allocations shall not be made to any entity until it has become a member of the Cooperative.

The books and records of the Cooperative shall clearly reflect the amount of capital, if any, credited to each patron's account. The Cooperative shall notify each patron of the amount of capital credited to their account at the end of each fiscal year: PROVIDED, that individual notices shall not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine the specific amount of capital credited to their account. All amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

All other amounts received and receivable by the Cooperative from its operations in excess of costs and expenses shall 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 the Cooperative's patrons on a patronage basis, and included as a part of the capital credited to the patrons accounts.

In computing its patronage dividend obligation hereunder, the Cooperative shall take into account any activities conducted by the Cooperative through a partnership, limited liability company or similar organization (hereinafter, a "Partnership"), treat the Cooperative's share of such Partnership's activities as if they were conducted directly by the Cooperative for patronage dividend purposes and shall pay patronage dividends with

respect to the Cooperative's share of such Partnership's activities.

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 returned without priority on a pro-rata basis before any payments are made on account of property rights of members. Gains realized from the sale of appreciated assets at the time of liquidation shall be distributed to patrons during the preceding seven year period in proportion to the patronage for that period before any payments are made on account of property rights of members.

Based upon the Cooperative's reasonable needs, the Cooperative may accumulate and retain Operating Margins ("Reasonable Reserves"). As provided in the Bylaws, however, the Cooperative shall allocate and credit Reasonable Reserves as Capital Credits.

The Board may retire capital credited to patrons accounts in full or in part, at full or discounted value, whether deceased or living, in one or more classes and under such other terms and conditions and at any time that it is determined that the financial condition of the Cooperative is not impaired. The Board may promulgate rules, policies or regulations in any manner they feel is necessary or appropriate, except as restricted or prohibited by law.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patron 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 offices.

**SECTION 8.03 Patronage Capital in Connection with Furnishing Other Services.** In the event that the Cooperative should engage in the business of furnishing goods or services other than energy and related services, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, in so far as permitted by law, be treated as non-operating income.

## **ARTICLE IX DISPOSITION AND PLEDGE OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION**

### **SECTION 9.01 Disposition and Pledging of Property.**

(1) The Cooperative may not sell, lease, mortgage, encumber or otherwise dispose of all or any substantial portion of its property unless such action is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all members of the Cooperative, and unless the notice of such proposed sale, lease, mortgage, encumbrance or other disposition shall have been contained in the notice of meeting.

(2) The Board, without authorization by the members, shall have full power and authority to authorize the sale, lease, lease-sale, exchange or other disposition of less than a substantial portion of the Cooperative's properties and assets ("Substantial portion" as used in this section, means ten percent or more of the fair market value of the Cooperative's total properties and assets), and to authorize the execution of mortgages, or deeds of trust, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of Cooperative.

(3) Not in conflict with, or in lieu of, but rather as supplementary to the foregoing subsection (a), the following procedures shall be followed in authorizing a sale, lease, lease-back, exchange or other disposition of all or a substantial portion of the Cooperative's properties and assets:

(a) Before allowing any plan or proposal therefore to be submitted to the members, the Board shall appoint at least one, but not more than three, independent appraisers expert in such matters to render their individual opinions as to the fair market value of the Cooperative's assets and properties, including its good will and going business value, and as to any other terms and conditions which, in their respective judgments, should be considered. The Board, after receiving such appraisals (and other terms and conditions which are recommended, if any), shall then give every other electric cooperative in Kansas (which has not submitted such a plan or proposal) an opportunity to submit competing plans or proposals. Such opportunity shall be in the form of a written notice to such electric cooperatives, which notice shall attach a copy of the initial plan or proposal being then considered and a copy of the reports of the appraisers. Such electric cooperatives shall be given not less than thirty days within which to submit competing plans or proposals, and the actual minimum period within which plans or proposals are to be submitted shall be stated in the written notice given to them;

(b) If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall adopt a resolution to that effect and so notify members, expressing in detail each of any proposals, and shall call a special meeting of the members for consideration thereof, which meeting shall be held not sooner than twenty days nor later than fifty days after the giving of such notice to the members: PROVIDED, that consideration thereof by the members may be had at the next annual

member meeting, if the Board so determines and if such annual meeting is held not sooner than twenty days nor later than fifty days after the giving of such notice;

(c) Ten percent or more of the members, by so petitioning the Board not less than twenty days before the date of the special or annual member meeting at which such a plan or proposal will be considered, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all other members at least ten days prior to such member meeting, any opposing positions or alternate plans or proposals which the petitioners may have; and

(d) The provisions of this section shall not apply to any sale, lease or other disposition to another Kansas electric cooperative if the legal or substantive effect of such sale, lease or other disposition is a merger or consolidation pursuant to the act under which the cooperative is incorporated.

**SECTION 9.02 Distribution of Surplus Assets on Dissolution.** Upon the Cooperative's dissolution any assets remaining after all of the Cooperative's liabilities and obligations, including outstanding capital credits, have been satisfied or discharged or a plan therefor appropriately established, shall be distributed in accordance with the provisions of these bylaws and applicable laws.

## **ARTICLE X SEAL**

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words: "Corporate Seal, Kansas".

## **ARTICLE XI FINANCIAL TRANSACTIONS**

**SECTION 11.01 Contracts.** Except as otherwise provided in these bylaws, the Board may authorize any officer, agent or employee 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 11.02 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 or countersigned by such officers, agents, or employees of the Cooperative in such manner as shall be determined by resolution of the Board.

**SECTION 11.03 Deposits.** All funds of the Cooperative, exclusive of petty cash, shall be deposited to the credit of the Cooperative in such banks as the Board may select.

**SECTION 11.04 Retirement of Capital Credits.** Capital Credits shall be retired pursuant to the policy promulgated by the Board from time to time.

**SECTION 11.05 Fiscal Year.** The Fiscal Year of the Cooperative shall begin on the first day of January and end on the thirty-first day of December of each year.

## **ARTICLE XII MISCELLANEOUS**

**SECTION 12.01 Membership in Other Organizations.** The Cooperative may become a member or purchase stock in other profit or nonprofit organizations, associations, partnerships or joint ventures, or form wholly owned subsidiary organizations, when the Board finds that the general and long-term interests of the membership will be served by such investments or participation.

**SECTION 12.02 Waiver of Notice.** Any member or Trustee may waive, in writing, any notice of a meeting required by these bylaws. The attendance of a member or Trustee at any meeting shall constitute a waiver of notice of such meeting, 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 12.03 Rules, Regulations, Policies, Rate Schedules, and Contracts.** In addition to the powers conferred upon the Board by law, the Board shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, policies, procedures, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Cooperative's Articles of Incorporation or bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

**SECTION 12.04 Rules of Order.** Parliamentary procedure at all meetings of the members, of the board, of any committee provided for in these bylaws, and of any other committee shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is not otherwise determined by law or by the Cooperative's Articles of Incorporation or bylaws.

**SECTION 12.05 Accounting System and Reports.** The Board shall cause to be established and maintained a complete accounting system in conformance with Generally Accepted Accounting Practices (GAAP) and the Administrator of the Rural Utilities Service (RUS) of the United States of America or other regulatory authority. The Board shall also cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of the audit year, to be determined by the Board from time to time.

### **ARTICLE XIII AMENDMENT OF BYLAWS**

Amendment of Bylaws may be initiated by a majority of the Board or a Petition signed by not less than five percent (5%) of the members. These bylaws shall be altered, amended or repealed by the members by mail ballot or at any annual or special member meeting by a majority vote of the members voting by ballot or attending such meeting, in person or by proxy, provided the notice of such meeting, or the ballot shall have contained a copy of the proposed alteration, amendment or repeal, or an accurate summary explanation thereof. The Board shall determine the method and time schedule of presenting the question(s) to the members.