



Rolling Hills Electric Cooperative, Inc.

Bylaws

Approved January 1, 2002

Revised January 6, 2015

**Bylaws
Of
ROLLING HILLS ELECTRIC COOPERATIVE, INC.**

ARTICLE I • MEMBERSHIP

SECTION 1.01. **Eligibility.** Any person, firm, association, corporation, limited liability company, limited liability partnership, partnership or body politic will become a member of the Rolling Hills Electric Cooperative, Inc. (hereinafter called the “Cooperative”) upon receipt of electric service from the Cooperative, provided that he, she or it has first:

- (a) Made a written application for membership on forms provided by the Cooperative;
- (b) Agreed to purchase or accept delivery of electric energy, or other products, commodities equipment or services from the Cooperative;
- (c) 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”);
- (d) Paid the required membership fee and been accepted for membership by the Board.

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;

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. Joint memberships may only be held by a husband and wife.

The term “member” as used in these bylaws shall refer to an individual (natural or corporate) or 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 by husband and wife shall be as follows:

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

SECTION 1.05. **Conversion of Membership.** 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 to be added to comply with the Articles of Incorporation, bylaws, and rules and regulations adopted by the Cooperative.

Upon the death of either spouse who is party to the joint membership, the membership shall be held solely by the survivor. 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. 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.

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. Each member shall also grant Cooperative any written easement, right of way, license or other property interest reasonably necessary to install, construct, operate, repair, remove, or maintain equipment necessary to provide service to the member without charge to the Cooperative.

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 shall 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.

Section 2.03 Member's Access to Board Meetings and Minutes of Meetings. Minutes of Meetings of the Board of Trustees will be taken during its regular and special meetings. Minutes as approved at the next regular board meeting will be made available, upon request, to Members at any office within two (2) business days following the next regular Board of Trustees' meeting.

Members shall be permitted to attend regular or special meetings of the Board of Trustees, (excluding executive sessions) by providing at least two (2) business days prior written, faxed or E-mailed notice to any office of the intent of the Member to attend the meeting; provided, however, Members attending a Board of Trustees' meeting shall not be disruptive or interfere with the normal and scheduled proceedings of the Board of Trustees. Further, unless placed on the Agenda, during an open forum, or upon request of the President of the Board of Trustees, the Members in attendance shall not be permitted to speak

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. 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. It shall be the duty of the Secretary to cause notice of the meeting to be given as specified in Section 3.03. The Board may, by a 2/3 majority, 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 may be called by resolution of the Board of Trustees or by a petition signed by at least ten percent 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. The Board may, by a 2/3 majority, designate the special meeting to be in any county where the cooperative is providing electrical service.

SECTION 3.04 Notice of Member Meetings. Written notice of membership meetings stating the date, time, location 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 or by mail. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail. 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 fifty 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 of Trustees 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.

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 what terms and conditions will regulate its use. Issues decided by a mail ballot in which the number of votes cast is equal to or greater than the number of members needed to constitute a quorum for a membership meeting 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 have no more than three proxies. 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.

ARTICLE IV • BOARD OF TRUSTEES.

SECTION 4.01 General Powers. The business and affairs of the Cooperative shall be directed by a Board of ten trustees (the "Board"), who 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. The Board may hire a General Manager to serve as the chief administrative officer of the cooperative responsible for the day to day operation of the cooperative.

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 residing in the Trustee district which the member is to represent and is receiving service from the cooperative at his primary residential abode.
- (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 "deminimus" competing enterprises;
- (3) Is not closely related to an incumbent Trustee or an employee of the Cooperative. The term "closely related" means the relationship of spouse, father, mother, brother, sister, son and daughter existing by reason of blood, marriage or adoption. 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. At the effective date of the consolidation, the territory of the consolidated cooperative shall be divided into three Trustee districts for the purpose of constituting the consolidated cooperative's Board of Trustees. The Trustee districts shall include all of the area contained within the exterior boundaries of that territory described by the Kansas Corporation Commission as The Smoky Hill Electric Cooperative Association, Inc. ("Smoky Hill"), as amended from time to time, (the "Smoky Hill Territory"), and all of the area within the exterior boundaries of that territory described by the Kansas Corporation Commission as The Jewell-Mitchell Cooperative Electric Co., Inc. ("Jewell-Mitchell") as amended from time to time (the "Jewell-Mitchell Territory"), and all of the area within the exterior boundaries of that territory described by the Kansas Corporation Commission as the N.C.K. Electric Cooperative, Inc. ("N C K") as amended from time to time (the "N C K Territory"). 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 consolidated cooperative. An official territory and Trustee district map shall be maintained, for membership review and inspection, at the Ellsworth, Mankato and Belleville offices. The Board may amend the boundaries of the districts, from time to time, as deemed necessary or appropriate.

DISTRICT ONE: Position 1 -- At Large from the Counties of Ellsworth, Russell, Lincoln, Barton, Saline and Ottawa Counties; Position 2 -- At Large from the Counties of Ellsworth, Russell, Lincoln, Barton, Saline and Ottawa Counties; Position 3 -- At Large from the Counties of Ellsworth, Russell, Lincoln, Barton, Saline and Ottawa Counties.

DISTRICT TWO: Position 1 -- At Large from Mitchell, Osborne, Smith, Jewell, Rooks and Phillips Counties; Position 2 -- At Large from Mitchell, Osborne, Smith, Jewell, Rooks and Phillips Counties; Position 3 -- At Large from Mitchell, Osborne, Smith, Jewell, Rooks and Phillips Counties; Position 4 -- At Large from Mitchell, Osborne, Smith, Jewell, Rooks and Phillips Counties.

DISTRICT THREE: Position 1 -- At Large for the Counties of Republic, Clay, Washington and Cloud; Position 2 -- At Large for the Counties of Republic, Clay, Washington and Cloud; Position 3 -- At Large for the Counties of Republic, Clay, Washington and Cloud.

SECTION 4.04 Election of Trustees and Term of Office. Trustees shall be elected from each district, only by the members from such district, for a term of three calendar years as terms of office expire or until their successors shall have been elected and qualified. The permanent election cycle, the number of Trustees, and the term of office, for each district following the transition election cycle, described in the Articles of Consolidation, shall be as described below.

District One shall have three Trustees.

Position One -- The initial Trustee of the consolidated cooperative will be elected for a three-year term beginning January 1, 2005, and ending December 31, 2007. Thereafter, the Trustee will be elected for consecutive three-year terms.

Position Two -- The initial Trustee of the consolidated cooperative will be elected for a two-year term beginning January 1, 2005, and ending December 31, 2006. Thereafter, the Trustee will be elected for consecutive three-year terms.

Position Three -- The initial trustee of the consolidated cooperative will be elected for a one-year term beginning January 1, 2005, and ending December 31, 2005. Thereafter, the Trustee will be elected for consecutive three-year terms.

District Two shall have four Trustees.

Position One – The initial Trustee of the consolidated cooperative will be elected for a three-year term beginning January 1, 2005, and ending December 31, 2007. Thereafter, the Trustee will be elected for consecutive three-year terms.

Position Two – The initial Trustee of the consolidated cooperative will be elected for a two-year term beginning January 1, 2005, and ending December 31, 2006. Thereafter, the Trustee will be elected for consecutive three-year terms.

Position Three – The initial Trustee of the consolidated cooperative will be elected for a one-year term beginning January 1, 2005, and ending December 31, 2005. Thereafter, the trustee will be elected for consecutive three-year terms.

Position Four – The initial Trustee of the consolidated cooperative will be elected for a three-year term beginning January 1, 2005, and ending December 31, 2007. Thereafter, the Trustee will be elected for consecutive three-year terms.

Districts Three shall have three Trustees.

Position One – The initial Trustee of the consolidated cooperative will be elected for a three-year term beginning January 1, 2005, and ending December 31, 2007. Thereafter, the Trustee will be elected for consecutive three-year terms.

Position Two – The initial Trustee of the consolidated cooperative will be elected for a two-year term beginning January 1, 2005, and ending December 31, 2006. Thereafter, the Trustee will be elected for consecutive three-year terms.

Position Three – The initial Trustee of the consolidated cooperative will be elected for a one-year term beginning January 1, 2005, and ending December 31, 2005. Thereafter, the Trustee will be elected for consecutive three-year terms.

A Trustee may serve no more than four (4) successive three-year terms, provided that he or she is duly nominated by the nominating committee, or otherwise placed on the ballot as permitted by the Bylaws of the organization, and re-elected by the Members at the conclusion of each successive term. Current Trustees who have exceeded these limits of service will not be eligible for re-election to the Board of Trustees after their current term expires.

SECTION 4.05 Nominations 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 three 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 district one will meet together at Ellsworth, committee members from district two will meet at Mankato and committee members from district three will meet at Belleville. 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 all three offices of the cooperative. 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, December 1, at one of the three offices of the cooperative. 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 nominated by the committee, then the names 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 postmarked or received at the offices of the cooperative.

SECTION 4.07 Removal of Trustees. Trustees may be removed prior to expiration of their term by members of their district in a special, mail ballot, election. A special members meeting may be conducted, in accordance with these Bylaws, to present information for and/or against the Trustee and for the Trustee to respond. Thereafter, a special election may be called by resolution of the Trustees or members at the special meeting.

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) A vacancy may be filled by an eligible member for the unexpired portion of the term until the successor is elected. A vacancy occurring in the Board of Trustees shall be filled by the affirmative vote of a majority of the

remaining Trustees. The Trustee thus elected shall meet the qualification to be elected and remain a Trustee in Section 4.02.

(3) 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.

SECTION 4.09 Compensation. Trustees shall not receive any salary for their services as such, however, the Board may by resolution provide that a fixed fee and expenses of attendance be allowed by the Cooperative for services 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. No Trustee shall receive compensation for serving the Cooperative in any other capacity, except in emergency, unless approved by the members.

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.

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 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, by a 2/3 majority, designate the special Trustees' meeting to be at any location.

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 three days prior to the meeting, either personally or by mail. Upon a default in duty of the Secretary, the President or the Trustees calling the meeting shall cause notice to be given. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Trustee at the address as it appears on the records of the Cooperative, with postage prepaid.

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. No proxy or absentee voting shall be allowed.

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 Telephone Board Meetings. Trustees may participate in and hold a meeting of the Board by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other. Participation in a meeting in this manner shall constitute presence in person at such meeting. Board meetings conducted in this way are subject to all requirements for notices 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 offices of President, Vice President and Secretary must be represented by different districts. The Treasurer may be from any district. The officers must be Trustees of the cooperative.

SECTION 6.02 Election 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. 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. Members may request the removal of an officer by filing with the Secretary a petition stating the reasons and signed by at least ten percent of the members. The officer shall be given written notice of the reasons at least ten days prior to the board meeting at which the removal is to be considered, and shall have an opportunity at the meeting to be heard in person or by counsel. The person requesting the removal shall have the same opportunity. In the event the Board does not remove the officer, the question of his/her removal shall be considered and voted upon at the next meeting of the members.

SECTION 6.04 President. The President Shall:

- (a) 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;
- (b) 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
- (c) 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:

- (a) Keeping the minutes of the meetings of the members and of the Board;
- (b) Seeing that all notices are duly given in accordance with these bylaws or as required by law;
- (c) 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.
- (d) Keeping a register or roll of members setting forth the names and post office addresses of all members.
- (e) 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
- (f) 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:

- (a) Custody of all funds and securities of the Cooperative;
- (b) 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
- (c) 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 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 6.09 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 6.10 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 6.11 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 or such persons estate or personal representative 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 reasonable 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 or such persons estate or personal representative 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 director, 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 electrical 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 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.

If such entity does not become a member of the Cooperative within one year after the amount of its allocated share or accumulated allocated shares equal the membership fee, or if no membership is required, within two years after the declaration of any such patronage dividend, it shall cease to be entitled to such shares.

The books and records of the Cooperative shall clearly reflect the amount of capital, if any, credited to each patrons 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 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.

The Board, in its sole discretion, 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 would not be impaired by such retirement. 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. Non operating income and capital allocated and credited to the Cooperative by any organization furnishing services, supplies, or products to the Cooperative may be allocated and credited to the members separately from capital allocated from the operation of the cooperative.

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

Section 9.01 MORTGAGES TO SECURE INDEBTEDNESS. The board of Trustees shall have full power and authority, without authorization by the members, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust of , 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 revenue and income therefrom, all upon such terms and conditions as the Board of Trustees shall determine, to secure any indebtedness of the Cooperative.

Section 9.02 OTHER DISPOSITIONS OF PROPERTY. (a) The Cooperative may not otherwise sell, lease, or otherwise dispose of all or a substantial portion of its property unless such sale, lease, or other disposition is authorized by the affirmative vote of not less than two-thirds of all the members.

(b) 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:

(1) 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;

(2) 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;

(3) 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

(4) 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 9.03 **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 **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, 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, after the close of each fiscal year, 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 such fiscal year.

ARTICLE XIII • AMENDMENTS OF BYLAWS

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.

ARTICLE XIV • INCORPORATION OF CONSOLIDATION AGREEMENT

The terms and conditions of the Articles of Consolidation and the Consolidation Agreement between The Jewell-Mitchell Cooperative Electric Co., Inc., N.C.K. Electric Cooperative, Inc. and The Smoky Hill Electric Cooperative Association, Inc., shall be incorporated herein and shall take priority over any inconsistent provision with respect to provisions pertaining to Article IV, Board of Trustees.