

Sedgwick County Electric Cooperative
Summary of Proposed Bylaws Changes

An effort has been made to simplify language throughout the bylaws. All articles and sections have been renumbered.

Article 1- Membership

- Eliminate gender bias in definition of joint membership.
- Define qualification and voting process for non-person members.

Article 2 – Rights and Liabilities of Members

- Change language to conform to changes in Kansas Statutes

Article 3 – Meeting of the members

- Provide flexibility in dates for holding the annual meeting.
- Allows but does not require voting by a mail ballot.

Article 4 Board of Directors.

- Add ex-employee restriction and nepotism restriction to Director qualifications.
- Moves board compensation decisions to the board room.
- Moves indemnification sections to a separate article.

Article 5 – Meetings of The Board

- Add flexibility to Board meeting scheduling.

Article 6 - Officers

- Modernized list of duties for officers.
- Designated the General Manager as the CEO.

Article 7 – Indemnification

- Created separate article and updated for this important obligation.
- Uses language developed by Kansas Electric Cooperatives (KEC) for Coops.

Article 8 – Cooperative Operation

- Defines the handling of operating margins, non-operating margins, affiliated capital credits.
- Provides flexibility to the Board in capital credits allocation and retirement.

Other –

- Added requirement to use Roberts Rules of Order.
- Corrected reference to Rural Electrification Administration (REA) to Rural Utilities Service (RUS).

**BYLAWS OF
THE SEDGWICK COUNTY ELECTRIC
COOPERATIVE ASSOCIATION, INC.
2013 2018**

~~Article I, Section 1. REQUIREMENTS FOR MEMBERSHIP. Any person, firm, association, corporation, trust or body politic or subdivision thereof, will become a member of the Sedgwick County Electric Cooperative Association, Inc., (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he or it has first:~~

- ~~(a) Made a written application for membership therein;~~
- ~~(b) Agreed to purchase from the Cooperative electric energy as hereinafter specified;~~
- ~~(c) Agreed to comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any rules and regulations adopted by the board.~~

~~No member may hold more than one membership in the cooperative, and no membership in the Cooperative shall be transferable, except as provided in these bylaws.~~

~~Section 2. JOINT MEMBERSHIP. A husband and wife may apply for a joint membership and, subsequent to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:~~

- ~~(a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting.~~
- ~~(b) The vote of either separately or both jointly shall constitute one joint vote;~~
- ~~(c) A waiver of notice signed by either or both shall constitute a joint waiver;~~
- ~~(d) Notice to either shall constitute notice to both;~~
- ~~(e) Expulsion of either shall terminate the joint membership;~~
- ~~(f) Withdrawal of either shall terminate the joint membership;~~
- ~~(g) Either but not both may be elected or appointed as an officer or Director, provided that both meet the qualifications for such office.~~

~~Section 3. CONVERSION OF MEMBERSHIP.~~

- ~~(a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, bylaws and rules and regulations adopted by the Board of Directors.~~

~~(b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor, provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.~~

~~Section 4. PURCHASE OF ELECTRIC ENERGY. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in his application for membership, and shall pay therefore at rates, which shall from time to time be fixed by the board. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with the Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Should the member fail to comply with such regulations of the Cooperative, the Cooperative may, after reasonable notice, disconnect such member, until said member complies with the regulations. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these bylaws. Each member shall pay to the Cooperative such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the board from time to time. Each member shall also pay all amounts owed by him to the Cooperative as when the same shall become due and payable.~~

~~Section 5. TERMINATION OF MEMBERSHIP.~~

~~(a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board may prescribe. The board may, by the affirmative vote of not less than two-thirds of all the members of the board, expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws or rules or regulations adopted by the board, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the board or by vote of the members at an annual or special meeting. The membership of a member who for a period of six (6) months after service is available to him has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, shall be cancelled by resolution of the board.~~

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

ARTICLE I - MEMBERSHIP

SECTION 1.01 Eligibility. Any person, including but not limited to proprietorships, corporations, associations, limited liability companies, partnerships, general or limited, body politics, or subdivisions therefore or other form of legal entity (hereinafter sometimes referred to as an "Entity") will become a member of The Sedgwick County Electric Cooperative, Association, Inc. (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he, she or the entity has first:

- (1) Made an application for membership on forms provided by the Cooperative;
- (2) Agreed to purchase, accept delivery of or use electric energy and energy-related services or other products or services from 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 Directors (hereinafter called the "Board"); and
- (4) Paid the membership fee.

No individual or other entity 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 and the Board has the absolute right to change the same at any time and from time to time.

SECTION 1.04 Membership Definitions. Memberships in the Cooperative are extended to individual or joint members or entities which meet the requirements of Article I.

The term "member" as used in these bylaws shall refer to an individual, entity 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 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~~ A joint membership 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;
- (7) Either but not both may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

SECTION 1.05 Conversion of Membership. An individual membership may be converted to a joint membership upon the written request of the individual member, and the agreement of the member and the additional person to be added to comply with the Articles of Incorporation, bylaws, and rules and regulations adopted by the Cooperative.

Upon the death of either party 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 and products 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 and may be changed by the Board from time to time. 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 to 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~~ shall 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

~~Article II, Section 2.01.~~ **PROPERTY INTEREST OF MEMBERS.** Upon dissolution, after (a) all debts and liabilities of the Cooperative shall have been paid, and (b) ~~all capital furnished through patronage shall have been retired as provided by these bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten years next preceding the date of the filing of the certificate of dissolution, or, if the Cooperative shall not have been in existence for such period, then during the~~

~~period of its existence.~~ 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 the Kansas Electric Cooperative Act or other applicable 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 liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III - MEETINGS OF MEMBERS

~~Article III, Section 3.01.~~ ANNUAL MEETING. The annual meeting of the members shall be held ~~between the dates of March 15 and April 15 of each year, beginning with the year 1951, at such place within a county served by the Cooperative, as selected by the board and which shall be designated in the notice of the meeting,~~ each year on a date and at a time and place designated by the Board, in any county where the Cooperative is providing electric service, for the purpose of electing board members, passing upon reports for the previous fiscal year, and transacting such other business as may come before the meeting. It shall be the responsibility of the board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 3.02. SPECIAL MEETINGS. Special meetings of the members may be called by resolution of the board, or upon a written request signed by any three board members, by the president, or by ten percent or more of all the members, and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties served by the Cooperative as designated by the board and the subject matter of the meeting shall be specified in the notice of the special meeting.

Section 3.03 NOTICE OF MEMBERS MEETINGS. Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called shall be delivered not less than ten days nor more than twenty-five days before the day of the meeting, either personally or by mail, ~~by or at the direction of the secretary, or upon a default in duty by the secretary, by the persons calling the meeting, to each member.~~ If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his/her address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action, which may be taken by the members at any such meeting.

Section 3.04. QUORUM. ~~Fifty members present in person shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of members present in person.~~ Business may not be transacted at any meeting of the members unless there are present in person 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.

Section 3.05. VOTING. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. ~~All questions shall be decided by a vote of a majority of the members voting thereon, except as otherwise provided by law, the articles of incorporation or these bylaws.~~ The representative of an entity 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 Directors there is a tie, such tie shall be resolved by means of a coin flip. No proxy voting shall be allowed.

SECTION 3.06 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. 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. If, at any time, an election of Directors is held by mail ballot, subsequent elections of Directors shall be by mail ballot unless members vote otherwise.

SECTION 3.07 Balloting Procedures. In the case of all balloting by members, the Board shall establish written procedures designed to accomplish the following objectives:

- (1) That each member has a reasonable opportunity to cast a vote which will be counted.
- (2) That no member has the ability to cast votes in excess of those to which such member is entitled.
- (3) That no non-member has the ability to cast a vote.

The Board shall draft such procedures with respect to all votes of members, regardless of whether conducted by actual attendance at a meeting of the members or by mail ballot. No deviation from such written procedures, no failure to adhere to such written procedures or no failure of the above procedures to accomplish the intended objectives shall invalidate any vote or action of the members except to the extent resulting from gross and wanton negligence.

Section 3.08 ORDER OF BUSINESS. The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows:

- (1) ~~Report on the number of members present in person in order to~~ determine the existence of a quorum,
- (2) ~~Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of — the meeting, as the case may be.~~ Proof of the timely mailing of the notice of meeting and the satisfaction of any other legal requirements or the waiver of the notice of meeting,
- (3) ~~Reading of unapproved~~ Review and approval of minutes of previous meetings of the members ~~and the taking of necessary action thereon. —~~
- (4) Presentation and consideration of reports of officers, Directors and committees.
- (5) Unfinished business.
- (6) New business.
- (7) Election of Directors.
- (8) Adjournment.

ARTICLE IV – BOARD OF DIRECTORS

Section 4.01. GENERAL POWERS. The business and affairs of the Cooperative shall be managed by a board of nine Directors which shall exercise all of the powers of the Cooperative except such as are by law, the articles of incorporation or these bylaws conferred upon or reserved to the members. For purposes of these bylaws, reference to a "Director" or "Directors" shall be deemed to be references to "Trustee" or "Trustees", as the case may be, within the meaning of K.S.A. 17-4612 of the Kansas Electric Cooperative Act.

Section 4.02. ELECTION AND TENURE OF OFFICE. ~~The persons named, as Directors in the Articles of Conversion shall compose the Board of Directors until the first meeting or until their successors shall have been elected and shall have qualified except as hereinafter provided. At the annual meeting of the members in 1961, three (3) Directors shall be elected to serve for a term of three (3) years and two (2) Directors shall be elected to serve for a term of two (2) years. At the annual meeting of the members in the year 1962, three (3) Directors shall be elected to serve for a term of three (3) years, and one (1) Director shall be elected to serve for a term of one (1) year. Beginning with the annual meeting of the members in 1963, three (3) Directors shall be elected each year to serve for a term of three (3) years. Members of the Board of Directors shall be elected by ballot by and from the members of the Cooperative and shall serve for the term specified above~~ a term of three years, or until their successors shall have been elected and shall have qualified. ~~In the event no candidate for a particular Director position being elected receives a majority of the votes cast for such position, the two candidates for that Director position receiving the highest number of votes cast in their favor will be entered in a runoff election for said Director position.~~

Section 4.03. QUALIFICATIONS TO BE NOMINATED, ELECTED AND REMAIN A DIRECTOR. ~~No person shall be eligible to become or remain a Director or to hold any position of trust in~~ Any natural person shall be eligible to be nominated, elected and remain a Director of the Cooperative who:

- (a) Is a member and bona fide resident in the area served or to be served by the Cooperative for at least three years; and
- (b) Has not been employed by the Cooperative within the past thirty six (36) months; and
- (c) Is not in any way employed by or financially interested in a competing enterprise or a business selling electric energy, energy services or energy supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative, or and
- (d) Is not closely related to an incumbent Director or an employee of the Cooperative. The term "closely related" means the relationship of spouse, father, mother, brother, sister, son, daughter, grandparent and grandchild existing by reason of blood, marriage or adoption.

Upon establishment of the fact that a Director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such Director from office. Nothing contained in this section shall affect in any manner whatsoever, the validity of any action taken at any meeting of the Board of Directors.

Section 4.04 NOMINATIONS. ~~It shall be the duty of the Board of Directors to shall appoint~~ a nominations committee, not less than thirty sixty (60) days nor more than ninety one hundred eighty (180) days before the

date of a meeting of the members at which Directors are to be elected. ~~The nominating a committee on nominations~~ Committee shall consisting of not less than five nor more than ~~eleven~~ **thirteen** members who shall be selected from different sections so as to ensure equitable representation. No member of the Board of Directors may serve on such committee. The **Nominating** Committee, keeping in mind the principle of geographical representation, shall validate the qualifications of candidates nominated and shall prepare and post a list of nominations for Directors at the office of the Cooperative at least forty five (45) days before the meeting. ~~at the principal office of the Cooperative at least twenty days before the meeting a slate of nominations for each Director position being elected which may include any number of candidates. Candidates may also be nominated by a petition signed by at least fifteen (15) members for Director Elections. Any fifteen or more members acting together may make other nominations by petition for any particular Director position being elected not less than fifteen days prior to the meeting and the secretary shall post such nominations at the same place where the slate of nominations made by the committee is posted. The Secretary shall mail a statement to each member of the number of Directors to be elected, and the names and addresses of the candidates nominated at least ten days before the date of the meeting. If the Directors determine that the election of Directors shall be by mail, only those nominees nominated by the nominating committee or by petition received at least sixty (60) days before the meeting, shall be on the ballot and there shall be no nominations from the floor. Minor or immaterial deviations from strict compliance with the provisions of this section shall not affect the validity of any elections of Directors~~ The secretary shall mail with the notice of the meeting or separately, but at least seven days before the date of the meeting, a statement of the number of Directors to be elected and the names and addresses of the candidates, specifying separately the nominations made by the committee on nominations and also the nominations made by petition, if any. The chairman shall call for additional nominations from the floor and nominations shall not be closed until at least one minute has passed during which no additional nominations have been made. Nominations from the floor must be for a specific Director position being elected. No member may nominate more than one candidate.

Section **4.05**. REMOVAL OF DIRECTORS BY MEMBERS **AND RESIGNATIONS**. ~~Any member may bring charges against a Director and, by filing with the secretary such charges in writing together with a petition signed by at least ten percent of the members, may request the removal of such Director by reason thereof. Such Director shall be informed in writing of the charges at least ten days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such Director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.~~ Members may request the removal of a Director by filing a petition stating the reasons, and signed by at least ten percent of the members. The Director shall be given written notice of the reasons listed on the petition at least ten days prior to the meeting of the members at which the removal is to be considered, and shall have an opportunity at the meeting to be heard in person or by counsel, and the person requesting the removal shall have the same opportunity. The question of removal of such Director shall be considered and voted upon at the meeting of the members, and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

Section **4.06**. VACANCIES. Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of Directors by the members, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining Directors for the un-expired portion of the term.

Section 4.07. COMPENSATION. ~~Board members shall not receive any salary for their services as such, except that members of the Cooperative may by resolution authorize a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences and training programs or performing committee assignments when authorized by the board. If authorized by the board, board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the board in lieu of detailed accounting for some of these expenses. No board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a board member receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the board member or his close relative shall have been certified by the board as an emergency measure.~~ **Directors shall not receive any salaries for their services as Directors and except in emergencies, shall not be employed by the Cooperative in any capacity involving compensation without the approval of the members. Directors shall establish and receive a fixed fee and expenses of attendance for each meeting of the Board and for other functions duly authorized for and on behalf of the Cooperative.**

Section 8. INDEMNIFICATION.

- (a) ~~AUTHORIZATION.~~— ~~The Cooperative shall indemnify and hold harmless any Director, officer or employee who was a party, who is a party or who is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative. Such person shall be indemnified and held harmless only if such person acted in good faith and in a manner reasonably believed to be in and not opposed to the best interests of the Cooperative. Such person shall be indemnified and held harmless only from amounts actually and reasonably incurred as expenses (including attorney fees), judgments, fines and amounts paid in settlement in connection with such actions, suits or proceedings. Such person shall be indemnified and held harmless only in connection with actions, suits or proceedings brought or threatened by reason of such person being a Director, officer, or employee of the Cooperative or because such person was serving at the request of the cooperative as an officer, Director, employee or agent of another corporation, partnership, joint venture or other enterprise. Such person shall not be indemnified or held harmless from actions, suits or proceedings brought or threatened by or on behalf of the Cooperative. With respect to any criminal action, such person shall not be indemnified or held harmless unless such person had no reasonable cause to believe such person's conduct was unlawful.~~
- (b) ~~PROCEDURE.~~— ~~Any indemnification shall be made only in a specific case and only upon a determination that indemnification is proper under this bylaw. Such determination shall be made by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceedings. If such a quorum is not obtainable, such determination shall be made either by independent legal counsel in a written opinion or by the members of the Cooperative.~~
- (c) ~~ADVANCE PAYMENTS.~~— ~~The Cooperative may advance payment to a Director, officer or employee prior to final disposition but only upon a determination that indemnification would be proper under this bylaw. Such must be repaid if it is ultimately determined that such person is not entitled to indemnification.~~
- (d) ~~OTHER RIGHTS TO INDEMNIFICATION.~~— ~~The right of indemnification hereby given shall not be exclusive of any other rights such Director, officer or employee may have under law, agreement, insurance policy or otherwise.~~

ARTICLE V - MEETINGS OF THE BOARD

Section 5.01. REGULAR MEETINGS. ~~A regular meeting of the Board of Directors may be held without notice, immediately after, and at the same place, as the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly~~ periodically, but not less than bi-monthly, at such time and place within one of the counties served by the Cooperative as designated by the board. ~~as the Board may provide by resolution.~~ Such monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

Section 5.02. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the president or any three Directors, and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as hereinafter provided. The president or the Directors calling the meeting shall fix the time and place for the holding of the meeting.

Section 5.03. NOTICE OF DIRECTORS' MEETINGS. Written notice of the time, place and purpose of any special meeting of the Board of Directors shall be delivered to each Director not less than five days previous thereto either personally or by mail, by or at the direction of the secretary, or upon a default in duty by the secretary, by the president or the Directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Director at his such Director's address as it appears on the records of the Cooperative, with postage thereon prepaid.

Section 5.04. QUORUM. A majority of the board shall constitute a quorum, provided that if less than such majority of the board is present at said meeting, a majority of the board present may adjourn the meeting from time to time; and provided further, that the secretary shall notify any absent board members of the time and place of such adjourned meeting. The act of a majority of the board members present at a meeting at which a quorum is present shall be the act of the board, ~~except as otherwise provided in these bylaws.~~

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 all Directors is obtained in writing setting forth the action to be taken in detail, and the document is signed by all Directors entitled to vote.

SECTION 5.06 Telephone Board Meetings. Directors may participate in and hold a meeting of the Board by means of conference telephone, video conference 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 a President, Vice President, Secretary, Treasurer, (all of whom shall be elected annually by and from the Board of Directors) and such other officers as may be determined by the Board of Directors from time to time. The offices of secretary and of treasurer may be held by the same person.

Section 6.02. ELECTION AND TERM OF OFFICE. The officers shall be nominated and elected by secret ballot, annually by and from the Board of Directors ~~at the meeting of the Board of Directors held immediately after the annual meeting of the members~~ at the first meeting of the Board following the annual meeting of the

~~members. . If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term. When a person holding the office of President, Vice- President, Secretary or Treasurer ceases to be a Director, he or she shall cease to hold such office.~~

Section 6.03. REMOVAL OF OFFICERS AND AGENTS BY DIRECTORS. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Cooperative will be served thereby. ~~In addition, any member of the Cooperative may bring charges against~~ Members may request the removal of an officer, and by filing with the secretary such charges in writing together with a petition stating the reasons, which is signed by ten percent of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges shall be given written notice of the reasons at least ten days prior to the board meetings at which the charges are to be removal is to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him requesting the removal shall have the same opportunity. In the event the board does not remove such officer, the question of his/her removal shall be considered and voted upon at the next regular meeting of the members.

~~Section 4. PRESIDENT. The president shall:~~

- ~~(a) be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the Board of Directors, shall preside at all meetings of the members and the Board of Directors;~~
- ~~(b) sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be authorized by the Board of Directors or by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and~~
- ~~(c) in general perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.~~

~~Section 5. VICE PRESIDENT. In the absence of the president, or in the event of his inability or refusal to act, the vice president shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon, the president. The vice president shall also perform such other duties as from time to time may be assigned to him by the Board of Directors.~~

~~Section 6. SECRETARY. The secretary shall be responsible for:~~

- ~~(a) keeping the minutes of the meeting of the members and of the board in books provided for that purpose;~~
- ~~(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 the seal of the Cooperative and affixing the seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;~~
- ~~(d) keeping a register of the names and post office addresses of all members;~~

- ~~(e) keeping on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to inspection of any member) and at the expense of the Cooperative, furnishing a copy of the bylaws and of all amendments thereto to any member upon request; and~~
- ~~(f) in general performing all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the board.~~

~~Section 7. 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 of all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected 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 from time to time may be assigned him by the board.~~

~~Section 8. MANAGER. The Board of Directors may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him.~~

SECTION 6.04 President. Unless otherwise determined by the Board and unless otherwise required by law, the Articles, or these Bylaws, the President:

- (1) Shall preside, or designate another individual to preside, at all Board and Member Meetings;
- (2) On the Cooperative's behalf, sign any document properly authorized or approved by the Board or Members; and
- (3) In general perform all duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board.

SECTION 6.05 Vice-President. Unless otherwise determined by the Board and unless otherwise required by law, the Articles, or these Bylaws, the Vice-President:

- (1) Upon the President's death, absence, disability, improper refusal, or inability to act, shall perform the duties, and have the powers of the President; and
- (2) Shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board.

SECTION 6.06 Secretary. Unless otherwise determined by the Board and unless otherwise required by law, the Articles, or these Bylaws, the Secretary:

- (1) Shall be responsible for preparation of minutes of Board and Member Meetings;
- (2) Shall be responsible for authenticating the Cooperative's records;
- (3) Shall give notices of Board and Member meetings;
- (4) May affix the Cooperative's seal to any document authorized or approved by the Board or Members; and
- (5) Shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board.

SECTION 6.07 Treasurer. Unless otherwise determined by the Board and unless otherwise required by law, the Articles, or these Bylaws, the Treasurer shall perform all duties, shall have all responsibility, and may exercise all authority, prescribed by the Board.

SECTION 6.08 General Manager. The General Manager shall:

- (1) Be the Chief Executive 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 Chief Executive Officer and perform such other duties as may be assigned by the Board.

Section **6.09.** BONDS OF OFFICERS. The treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall ~~give bond~~ be bonded or insured in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to ~~give bond~~ 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 **6.10.** COMPENSATION. The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Directors, subject to the provisions of these bylaws ~~with respect to compensation for Directors and close relatives of Directors.~~

Section **6.11.** REPORTS. The officers of the Cooperative shall submit at each annual meeting of the member's reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of the fiscal year.

ARTICLE VII - INDEMNIFICATION OF OFFICERS, DIRECTORS AND EMPLOYEES

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 director, officer, or employee of the Cooperative, or who is or was serving at the request of the Cooperative as a director, officer, or employee 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 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 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 director, officer or employee of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer or employee 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 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 director, officer or employee 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 or employee 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 Directors 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 Directors 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 director, officer or employee 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 Director, 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 director, officer or employee, 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 director, officer or employee of the Cooperative, or who is or association, corporation, limited liability company, partnership, joint venture, trust or other enterprise or entity, 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 - COOPERATIVE OPERATION

~~Section 1. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED. The Cooperative shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.~~

~~Section 2. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis, the Cooperative is obligated to account on a patronage basis to all its patrons, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of the capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each current member of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.~~

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

~~In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired. However, the Board of Directors~~

~~shall have the power to adopt rules providing for the separate retirement of that portion of capital credited to the accounts of patrons which corresponds to capital credited to the Cooperative by an organization furnishing power, service or materials to the Cooperative. Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.~~

~~Notwithstanding any other provision of these bylaws, the Board of Directors, at its discretion, shall have the power at any time that any patron ceases to receive electric service from the Cooperative because of the death of the patron or for any other reason, to retire capital credited to any such patron upon such terms and conditions as the Board of Directors, acting under policies of general application, provided however, that any unpaid accounts due to the Cooperative shall be deducted from the capital payment to be made and that the financial condition of the Cooperative will not be impaired thereby.~~

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

SECTION 8.01 Nonprofit and Cooperative Operation. The Cooperative shall operate on a nonprofit, cooperative basis for the mutual benefit of all Members. The Cooperative may not pay interest or dividends on capital furnished by patrons.

SECTION 8.02 Allocating and Crediting Capital. In operating the Cooperative:

(1) **Patron.** A Cooperative patron is defined to include all members, purchasing electric service from the Cooperative and all other persons approved as a patron by the Board of Directors who purchase other products or services from or through the Cooperative.

(2) **Capital Credits.** Patrons shall furnish and contribute to the Cooperative, and the Cooperative shall receive from Patrons, as capital ("Capital") the amount ("Operating Margins") by which the funds and amounts received by the Cooperative from Patrons for providing a Cooperative service ("Operating Income") exceed the Cooperative's costs and expenses of providing the Cooperative service ("Operating cost"). 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 in this section 8.02.

For each Cooperative service, the Cooperative shall annually allocate to each Patron, and pay by credit to a Capital account for each Patron, Operating Margins from the Cooperative service in proportion to the value or quantity of the Cooperative service used by each Patron during the applicable fiscal year ("Capital Credits"). Capital Credits must be treated as though the Cooperative paid the Capital Credit amounts to each Patron in cash pursuant to a pre-existing legal obligation, and each Patron furnished or contributed the Capital to the Cooperative in the corresponding Capital Credit amounts.

(3) **Affiliated Capital Credits.** If the Cooperative is a member, owner or patron of an Entity providing a goods or service used by the Cooperative in providing a Cooperative service (Affiliated Entity”), then, to the extent the Affiliated Entity allocates or credits funds, amounts, or capital to the Cooperative in proportion to the value or quantity of the goods or service used by the Cooperative in providing the Cooperative service (Affiliated Entity Allocated Capital”), the Cooperative may separately allocate and credit to Patrons the Affiliated Entity Allocated Capital (“Affiliated Capital Credits”) in proportion to the value or quantity of the Cooperative service used by each Patron if the cooperative determines, and separately identifies, the Affiliated Capital Credits.

For the purposes of these Bylaws, Affiliated Entity Allocated Capital is Operating Income.

(4) **Non-Operating Margins.** Other than Operating Margins, funds and amounts received by the Cooperative that exceed the Cooperative’s costs and expenses (“Non-Operating Margins”) may be allocated as Capital Credits to Patrons in the same manner as the Cooperative allocates Operating Margins to Patrons, retained or used by the Cooperative as permanent, non-allocated capital, used to pay or offset any Cooperative cost or expense, or used as otherwise determined or approved by the Board.

(5) **Partnership.** Subject to Section 8.02(3) hereof, for purposes of determining the Cooperative’s Operating Margins, Non-Operating Margins, Operating Income and Operating Cost, the Cooperative shall take into account any activities conducted by the Cooperative through a partnership, limited liability company or similar organization (hereinafter, a “Partnership”) and treat the Cooperative’s share of such activities as if they were conducted directly by the Cooperative. In addition, for purposes of determining the Capital Credit to be allocated to the Patron and paid to the Capital for a Patron, the Cooperative shall take into account its share of the Cooperative service provide by a Partnership to a Patron as though the Cooperative provided such Cooperative service to such Patron directly.

(6) **Assignment and Notification.** Unless otherwise determined by the Board or provided in these Bylaws, Capital Credits and Affiliated Capital Credits may be assigned or transferred only upon a Patron delivering a written assignment or transfer to the Cooperative, the Patron complying with any other reasonable requirement determined by the Board, and the Board approving the assignment or transfer.

The Cooperative shall notify each Patron in writing of the dollar amount of Capital Credits or Affiliated Capital Credits allocated or credited to the Patron during the applicable fiscal year.

(7) **Joint Memberships.** The Cooperative, upon receiving written notice and adequate proof of termination, conversion, or alteration, shall re-allocate and re-credit to each Joint Member a proportionate share of the Capital Credits and Affiliated Capital Credits previously allocated and credited to the Joint Membership when it is terminated or converted unless otherwise instructed by a court or administrative body of competent jurisdiction. If a Joint Membership is terminated or converted through the death of one or more Joint Member(s), the Cooperative shall re-allocate and re-credit to the surviving Joint Member(s) all Capital Credits previously allocated and credited to the Joint Membership.

SECTION 8.03 Retiring and Refunding Capital Credits. At any time prior to the cooperative’s dissolution or liquidation; and if the board determines that the Cooperative’s financial condition will not be adversely impacted; the Board may authorize the Cooperative to, and the Cooperative shall, wholly or partially retire and refund Capital Credits to Patrons and former Patrons. If an Affiliated Entity retires and refunds Affiliated Entity Allocated Capital to the Cooperative, the Board may authorize the Cooperative to, and the Cooperative shall, retire and refund the corresponding Affiliated Capital Credits to Patrons and former Patrons.

The Board shall determine the manner, method, and timing of retiring and refunding Capital Credits and Affiliated Capital Credits.

Upon the death of any individual Patron or individual former Patron who is a natural person, and pursuant to a written request from the deceased Patron's legal representative, the Board may retire the deceased Patron's Capital Credits and Affiliated Capital Credits under terms and conditions agreed upon by the deceased Patron's legal representative and the Cooperative.

~~Article VIII. DISPOSITION OF PROPERTY. The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all the members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income there from, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative, provided further, that the Board of Directors may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another cooperative or foreign corporation doing business in this state pursuant to the act under which this Cooperative is incorporated, or to a municipality or other body politic or subdivision thereof.~~

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

SECTION 9.01 Disposition and Pledging of Property.

(1) 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 per centum 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.

(2) Not in conflict with, or in lieu of, but rather as supplementary to the other subsections of this 9.01, the following procedures shall be followed in authorizing a sale, lease, lease-sale, 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.

d) Any such proposal shall be deemed adopted if approved by a majority vote of the Members voting thereon.

e) 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.

(3) Otherwise, 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.

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 therefore appropriately established, shall be distributed in accordance with the provisions of these bylaws and applicable laws, including but not limited to the Kansas Electric Cooperative Act.

ARTICLE X - SEAL

Section 10.01. CORPORATE SEAL. The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon, “The Sedgwick County Electric Cooperative Assn., Inc.” and the words “Corporate Seal, Kansas.”

ARTICLE XI - FINANCIAL TRANSACTIONS

Section 11.01. CONTRACTS. Except as otherwise provided in these bylaws, the Board of Directors may authorize an officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 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 by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 11.03. DEPOSITS. All funds of the Cooperative, **exclusive of petty cash**, shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Directors may select.

~~Section 4. CHANGE IN RATES. Written notice shall be given to the Administrator of the Rural Electrification Administration of the United States of America not less than ninety days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.~~

~~Section 5~~**11.04. FISCAL YEAR.** The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

ARTICLE XII - MISCELLANEOUS

Section 12.01. MEMBERSHIP IN OTHER ORGANIZATIONS. This Cooperative may perform all acts, which may be lawfully performed by corporations in the State of Kansas; may serve as an incorporator, partner, member, director, or shareholder in any corporation, organization, or partnership; may participate in the formation and operation of other business ventures; may form subsidiary corporations to provide products or services.

Section 12.02. WAIVER OF NOTICE. Any member or Director may, **either before or after the meeting**, waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or Director at any meeting shall constitute a waiver of notice of such meeting by such member or Director, except in case a member or Director shall attend a meeting for the express purpose of objecting to the transacting of any business on the ground that the meeting has not been lawfully called or convened.

Section 12.03. ~~RULES AND REGULATIONS. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the articles of incorporation, or the conversion of these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.~~

Rules, Regulations, 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, 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. ~~ACCOUNTING SYSTEM AND REPORTS. The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the administrator of the Rural Electrification Administration~~ in conformance with Generally Accepted Accounting Practices (GAAP) and the Administrator of the Rural Utility Service, U. S. Dept. of Agriculture, of the United States of America. The Board of Directors shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. ~~Such audit reports shall be submitted to the members at the next following annual meeting.~~

~~Section 5. AREA COVERAGE. The board shall make diligent effort to see that electric service is extended to all un-served persons within the Cooperative service area who~~

~~(a) desire such service and~~

~~(b) meet all reasonable requirements established by the Cooperative as a condition of such service.~~

SECTION 12.05 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.

ARTICLE XIII - AMENDMENTS OF BYLAWS

Section 13.01 **AMENDMENTS.** These bylaws may be altered, amended or repealed by the members at any regular annual or special member meeting by the affirmative vote of the majority of the members voting thereon, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal, or an accurate summary explanation thereof.