

Bylaws

The Victory Electric Cooperative Assn., Inc. | Dodge City, Kansas
As amended April 16, 2026

ARTICLE I — MEMBERSHIP

SECTION 1 - Requirements for Membership

Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of THE VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC., (hereinafter called the "cooperative") by:

- A. Filing a written application for membership therein;
- B. Agreeing to purchase from the cooperative electric energy as hereinafter specified;
- C. Agreeing to comply with and be bound by the articles of incorporation and bylaws of the cooperative and any rules and regulations adopted by the board of trustees;
- D. Agreeing to be bound by the membership agreement.

No member may hold more than one (1) membership in the cooperative, and no membership in the cooperative shall be transferable, except as provided in these bylaws.

SECTION 2 - Membership Fees

From and after April 15, 1998, there shall be no membership fee required or collected as a condition to membership. Existing patrons on April 15, 1998, who have complied with Article 1, Section 1, shall be considered members. All membership fees which were collected prior to such date from any member shall be refunded to such member.

SECTION 3 - Joint Membership

A husband and wife may have a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include a husband and wife holding a joint membership and 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 (1) member and shall have the effect of revoking a proxy executed by either or both and of constituting a joint waiver of notice of the meeting;
- B. The vote of either separately or both jointly shall constitute one (1) joint vote;
- C. A proxy executed by either or both shall constitute one (1) joint proxy;
- D. A waiver of notice signed by either or both shall constitute a joint waiver;
- E. Notice to either shall constitute notice to both;
- F. Expulsion of either shall terminate the joint membership;
- G. Withdrawal of either shall terminate the joint membership;

- H. Either but not both may be elected or appointed as an officer or trustee provided that both meet the qualifications for such office.

SECTION 4 - *Conversion of Membership*

- A. A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, bylaws and rules and regulations adopted by the board of trustees.
- B. Upon the death of either spouse who is a party to the joint membership, such 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 5 - *Purchase of Electric Energy*

Each member shall, as soon as electric energy shall be available, purchase from the cooperative all central station electric power and energy used on the premises specified in his/her application for service, and shall pay therefore at rates which shall from time to time be fixed by the board of trustees. 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 the 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 of trustees from time to time. Each member shall also pay all amounts owed by him/her to the cooperative as and when the same shall become due and payable.

SECTION 6 - *Termination of Membership*

- A. Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board of trustees may prescribe. The board of trustees of the cooperative may, by the affirmative vote of not less than two thirds (2/3) of all the trustees, expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws or rules or regulations adopted by the board of trustees, but only if such member shall have been given written notice by the cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by vote of the board of trustees or by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available to him has not purchased electric energy from the cooperative, or of a member who has ceased to purchase energy from the cooperative, may be cancelled.
- B. A member who has ceased to purchase electric energy from the cooperative and who has capital credits assigned to him/her on the records of the cooperative may retain his/her membership. The membership shall terminate upon the refund of the balance of the member's capital credits.
- C. 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/her estate from any debts due the cooperative.

SECTION 7 - *Membership Property Permit*

Each member shall, upon request by the cooperative, execute and deliver to the cooperative grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the cooperative shall require for the furnishing of electric service to them or for the construction, operation, maintenance or relocation of the cooperative's electric facilities, to be located so as to minimize disturbance of the member's use of the lands where reasonably possible.

SECTION 8 - *Notifications by Member*

A member must notify the cooperative of a member's change of address. If the member is an entity, the successors in interest must notify the cooperative of the names and addresses of the successors in interest upon dissolution or merger of the entity.

ARTICLE II — Rights and Liabilities of Members

SECTION 1 - *Property Interest of Members*

Members shall have no individual or separate interest in the property or assets of the cooperative except that upon dissolution, after:

- A. All debts and liabilities of the cooperative shall have been paid; and
- B. All capital furnished through patronage shall have been retired as provided in these bylaws.

The remaining property and assets of the cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the seven (7) years next preceding the date of the filing of the certificate of dissolution.

SECTION 2 - *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

SECTION 1 - *Annual Meeting*

The annual meeting of the members shall be held each year, beginning with the year 1957, on such day between March first (1) and May eleventh (11) as may be fixed and designated by the board of trustees each year, said annual meeting to be held at such place in Dodge City in the County of Ford and State of Kansas or through electronic or remote communication or both, as shall be designated in the notice of the meeting, for the purpose of electing trustees, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the board of trustees to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the cooperative.

SECTION 2 - *Special Meetings*

Special meetings of the members may be called by resolution of the board of trustees, or upon a written request signed by any three (3) trustees, by the president, or by ten (10) percent or more of all members, and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the County of Ford, State of Kansas, specified in the notice of the special meeting. The cooperative may refuse to hold a special member meeting for a purpose identical or substantially similar to a purpose for which a previous special member meeting was held during the past twelve (12) months. If an annual member meeting will be held within the next thirty (30) days, then the cooperative may refuse to hold a special member meeting.

SECTION 3 - *Notice of Members' Meetings*

Written or printed notice stating the place, day and hour of the meetings 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 (10) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the secretary, or upon a default in duty by the secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered and sufficient when deposited in the United States mail, addressed to the member at their address as it appears on the records of the cooperative, with postage thereon prepaid, unless the member has given actual notice of a change of address in advance of the notice. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4 - *Quorum*

Fifty (50) 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.

SECTION 5 - *Voting*

Each member shall be entitled to only one (1) vote. A member is entitled to only one (1) vote regardless of the number of service locations provided to the member. All questions shall be decided by a vote of a majority of the members voting thereon in person except as otherwise provided by law, the articles of incorporation, or these bylaws. Members may not vote by proxy.

The governing body of every member other than a natural person shall furnish a certificate to the cooperative certifying to the name of an individual person who shall have the right to cast the vote for such member. Such certificate shall remain in full force and effect, and the cooperative may rely upon the same, until the certificate is withdrawn by the member or superseded by a later certificate from the member.

SECTION 6 - *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, except as otherwise determined by the members at such meeting:

1. Report as to the number of members present in person 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 of the reading of the notice of the meeting, as the case may be
3. Reading of unapproved minutes of previous meetings of the members or the waiver of the reading of the minutes, followed by the taking of necessary action thereon
4. Presentation and consideration of reports of officers, trustees and committees
5. Announcement of the results of trustee elections
6. Unfinished business
7. New business, but only such new business which has been submitted in writing to the board president either by mail or by electronic transmission, or by a personal delivery to the Association's principal office, at least forty-five (45) days in advance of the annual meeting
8. Adjournment

ARTICLE IV — Trustees

SECTION 1 - *General Powers*

The business and affairs of the cooperative shall be managed by a board of no less than nine (9) nor more than twelve (12) trustees which shall exercise all of the powers of the cooperative except such as are by law, the articles of incorporation or by these bylaws conferred upon or reserved to the members.

SECTION 2 - *Districts*

The territory served or to be served by the cooperative shall, by the board of trustees, be divided into no less than nine (9) or more than twelve (12) districts. The municipal limits of Dodge City shall comprise one (1) district and shall be represented by three (3) trustees. The board of trustees shall divide the remaining territory of the cooperative into districts considering geographic continuity, population, and the interests of rural, suburban, municipal, commercial and industrial members. Each individual district outside the district of the City of Dodge City shall be represented by one (1) trustee.

Within one hundred twenty (120) days before any meeting of the members at which trustees shall be elected, the board of trustees shall review the composition of the several districts and may reconstitute the districts such that all members shall be represented based upon the considerations mentioned in this section.

SECTION 3 - *Election and Tenure of Office*

At each annual meeting of the members, a trustee shall be elected from each district outside the district of the City of Dodge City having a vacancy caused by the expiration of the incumbents' term of office. One (1) trustee shall be elected at each annual meeting to fill a vacancy caused by the expiration of the incumbent's term of office within the district of the City of Dodge City.

In the event of a tie vote for the election of a trustee, the secretary shall call the candidates to meet the secretary at a time and place prescribed by the secretary prior to the convening of the annual meeting. The secretary shall designate one (1) candidate to call the result of a coin toss and shall then toss the coin in the presence of the candidates to break the tie and select the trustee who shall serve. The result shall be announced at the annual meeting.

Upon creation of any new district, the board of trustees shall fill the position of trustees until the next annual meeting. In filling the vacancy of any district having more than one (1) trustee, the board shall set the initial terms of the trustees such that one (1) trustee shall be elected annually from such district.

The term of office shall be for three (3) years or until their respective successors shall have been elected and have qualified. All trustees shall be elected by secret mailed ballots or electronically transmitted ballots or such combination thereof as shall be prescribed by the secretary. The form and procedure for balloting shall be prescribed by the secretary. Ballots shall be received by the secretary by five (5) o'clock p.m. on the date prior to the annual meeting. Ballots shall be counted the day of the annual meeting and the results announced at the annual meeting. Each trustee shall be elected by those members and only those members within the district represented by such trustee. Trustees shall be elected by a plurality vote of the members from within each district.

SECTION 4 - *Qualifications*

A) General trustee qualifications.

To become and remain a trustee, a person must comply with the following general qualifications:

1. Be an individual.
2. Have the capacity to enter into legally binding contracts.
3. Not have been previously removed or disqualified as a trustee by the board of trustees.
4. Be a high school graduate or have earned an equivalent degree or certification.
5. Except as otherwise provided by the board for good cause, attend at least a majority of all board meetings during each twelve (12) month period commencing with the trustee's election to the board.
6. While a trustee or before becoming a trustee, not to be convicted of or plead guilty to a felony.

B) Qualifications based on trustee's membership.

To become and remain a trustee, a person must comply with the following membership qualifications. While a trustee and during the one (1) year immediately prior to becoming a trustee:

1. Be a member.
2. Have as the trustee's principal residence a residence served by the cooperative within the district that the trustee represents or shall represent. A trustee's principal residence shall be determined as the place where the trustee holds a driver's license and voter registration, where the trustee receives correspondence and is shown as the trustee's address on federal and state income tax returns, and which the trustee actually occupies and resides for at least fifteen (15) days in each month.

C) Independence qualifications.

To become and remain a trustee, a person must comply with the following independence qualifications:

1. While a trustee and during the three (3) years immediately before becoming a trustee, not be an employee of the cooperative or of another electric cooperative or entity in which the cooperative is a member or an owner.
2. While a trustee, not be a close relative of an acting trustee. A "close relative" shall mean any person who, by blood or marriage, is within the third degree of kinship to the principal or a romantic partner.
3. While a trustee and during the three (3) years immediately before becoming a trustee, not receive or have a close relative that receives more than ten (10) percent of annual gross income, other than insurance or trustee compensation, directly or indirectly from the cooperative.
4. While a trustee and during the three (3) years immediately before becoming a trustee, not advance or have a close relative, or be a member or owner of an entity that advances the individual's or entity's pecuniary interest by competing with or providing a good or service similar to a good or service provided by the cooperative.
5. While a trustee, not be employed by another trustee or receive more than ten (10) percent of annual gross income from another trustee or an entity in which another trustee owns any interest.

If a majority of the trustees authorized by these bylaws complies with the trustee qualifications and approve a board action, then the failure of a trustee to comply with the trustee qualifications does not affect the board action taken.

D) Removal of trustee by board.

A trustee may be removed for Cause, by a vote of at least two-thirds (2/3) of the non-affected remaining trustees, who are not subject to the current complaint, at a regular or board approved special board meeting called for such purpose. The trustee shall be informed thereof in writing at least thirty (30) days in advance of the meeting at which such a removal vote is scheduled to take place, and shall have an opportunity to respond, or be heard in person or by counsel, at such meeting.

Cause includes:

1. A conviction or judicial determination involving a felony crime or a crime of moral turpitude;
2. Becoming ineligible to serve as a trustee due to failing to meet the qualifications in the Bylaws, in Section 4 of Article IV;
3. Violation of a trustee's fiduciary duty or the Code of Conduct/Ethics policies; or
4. The bringing of disrepute or disparagement to the cooperative by unacceptable personal conduct.

SECTION 5 - *Nominations*

It shall be the duty of the board to appoint, not more than one hundred twenty (120) days before the date of a meeting of the members at which trustees are to be elected, a committee on nominations consisting of not less than two (2) nor more than three (3) members from each district for which trustees are to be elected. Such members shall reside within the district for which they

shall nominate proposed trustees, and a member may nominate proposed trustees only from the district in which they reside.

No member of the board of trustees shall serve on such committee. The committee shall prepare and post at the principal office of the cooperative at least sixty (60) days before the meeting a list of nominations for trustees. The committee may nominate one (1) or more individuals to run for a trustee position. The committee may not nominate a person from the committee for trustee. Any fifteen (15) or more members residing within a district acting together may make other nominations by petition for the trustee position within that district not less than fifty (50) days prior to the meeting, and the secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. The secretary shall be responsible for mailing with the notice of the meeting, or separately, but at least ten (10) days before the meeting, a statement of the number of trustees 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.

SECTION 6 - Removal of Trustees by Members

Any member may bring charges against a trustee and, by filing with the secretary such charges in writing together with a petition signed by at least ten (10) per centum of the members, may request the removal of such trustee by reason thereof. Such trustee shall be informed in writing of the charges at least thirty (30) 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 and to present evidence, with the assistance of counsel in respect of the charges; and the person or persons bringing the charges against such trustee shall have the same opportunity. The question of the removal of such trustee shall be considered and voted upon at the meeting of the members 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 7 - Vacancies

A vacancy occurring in the board of trustees shall be filled by the affirmative vote of a majority of the remaining trustees for the unexpired term.

SECTION 8 - Compensation

Trustees shall not receive any salary for their services as trustees, except that by resolution of the board of trustees a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the board of trustees, or at any other meeting involving the cooperative's interest when such attendance is authorized by the board of trustees.

No trustee shall receive compensation for serving the cooperative in any other capacity, nor shall any close relative of a trustee receive compensation for serving the cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by such trustee or, relative shall have been certified by the board of trustees as an emergency measure.

ARTICLE V — Meetings of Trustees

SECTION 1 - *Regular Meetings*

A regular meeting of the board of trustees shall be held monthly at such time and place within one (1) of the counties served by the cooperative or by electronic or remote communication or both as the board of trustees may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2 - *Special Meetings*

Special meetings of the board of trustees may be called by the president or by any three (3) trustees, and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as hereinafter provided. The president or the trustees calling the meeting shall fix the time and place for the holding of the meeting in person or by electronic or remote communication or both.

SECTION 3 - *Notice of Trustees' Special Meetings*

Written notice of the time, place and purpose of any special meeting of the board of trustees shall be delivered to each trustee, either personally or by mail, by or at the direction of the secretary, or upon a default in duty by the secretary, by the president or the trustees calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the trustee at his address, as it appears on the records of the cooperative, with postage thereon prepaid at least five (5) days prior to the date set for the meeting.

SECTION 4 - *Quorum*

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

ARTICLE VI — Officers

SECTION 1 - *Number*

The officers of the cooperative shall be a president, vice president, secretary, treasurer, and such other officers as may be determined by the board of trustees from time to time. The offices of secretary and treasurer may be held by the same person.

SECTION 2 - *Election and Term of Office*

The officers may be elected by ballot annually by and from the board of trustees at the first regular meeting of the board of trustees held 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 trustees following the next succeeding annual meeting of the members or until his successor shall have

been elected and shall have qualified. A vacancy in any office shall be filled by the board of trustees for the unexpired portion of the term.

SECTION 3 - *Removal of Officers and Agents by Trustees*

Any officer or agent elected or appointed by the board of trustees may be removed by the board of trustees whenever in its judgment the best interests of the cooperative will be served thereby. In addition, any member of the cooperative may bring charges against an officer, and by filing with the secretary such charges in writing together with a petition signed by ten (10) per centum of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least thirty (30) days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person and to present evidence with the assistance of counsel in respect of the charges; and the person or persons bringing the charges against him/her 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 meeting of the members.

SECTION 4 - *President*

The president shall:

- A. Be the principal executive officer of the cooperative and, unless otherwise determined by the members or the board of trustees, shall preside at all meetings of the members and board of trustees.
- B. Sign any deed, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of trustees to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of trustees or by these bylaws to some other officer or agent of the cooperative, or shall be required by law to be otherwise signed or executed; and
- C. In general, perform all duties incident to the office of president and such other duties as may be prescribed by the board of trustees from time to time.

SECTION 5 - *Vice President*

In the absence of the president, or in the event of his inability or refusal to act, the vice president shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice president shall also perform such other duties as from time to time may be assigned to him/her by the board of trustees.

SECTION 6 - *Secretary*

The secretary shall be responsible for:

- A. Keeping the minutes of the meetings of the members and of the board of trustees in one (1) or more 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 certificates of membership prior to the issue thereof, and to all documents, the execution of which on behalf of the cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;

- D. 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 the 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;
- F. In general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him/her by the board of trustees.

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 for 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 the treasurer and such other duties as from time to time may be assigned to him/her by the board of trustees.

SECTION 8 - *Chief Executive Officer*

The board of trustees may appoint a Chief Executive Officer who may be, but who shall not be required to be, a member of the cooperative. The Chief Executive Officer shall perform such duties and shall exercise such authority as the board of trustees may from time to time vest in the Chief Executive Officer.

SECTION 9 - *Bonds of Officers*

The treasurer and any other officer or agent of the cooperative charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the board of trustees shall determine. The board of trustees in its discretion may also require any other officer, agent or employee of the cooperative to be bonded in such amount and with such surety as it shall determine.

SECTION 10 - *Compensation*

The powers, duties and compensation of officers, agents and employees shall be fixed by the board of trustees, subject to the provision of these bylaws with respect to compensation for trustees and close relatives of trustees.

SECTION 11 - *Reports*

The officers of the cooperative shall submit at each annual meeting of the members reports covering the business of the cooperative for the previous fiscal year. Such reports shall set forth the condition of the cooperative at the close of such fiscal year.

ARTICLE VII — Non-Profit Operation

SECTION 1 - *Interest of Dividends on Capital Prohibited*

The cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the cooperative on any capital furnished by its patrons.

SECTION 2 - *Patronage Capital in Connection with Furnishing Electric 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 the cooperative will operate on a non-profit 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 ("operating margins"). All such amounts in excess of operating costs and expenses at the moment of receipt by the cooperative are received with the understanding 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 capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron. The cooperative shall, within a reasonable time after the close of the fiscal year, notify each patron of the amount of capital so credited to the patron's 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, such as revenue and income other than from the furnishing electric energy ("non-operating margins"), shall, insofar as permitted by law, and at the discretion of the board, be (a) used to offset any losses incurred during the current or any prior fiscal year; (b) used to establish unallocated reserves and retained capital not currently assignable to the patrons; and (c) to the extent not needed for these purposes, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, in the same manner as the cooperative allocates operating margins, as herein provided.

If costs and expenses exceed the amounts received and receivable from and directly related to the furnishing of electric energy, thereby creating an operating loss, the cooperative may, at the discretion of the board, so far as permitted by law, loan covenants, and federal cooperative tax law, (a) offset the loss against existing capital credits of loss year patrons; (b) carry the loss forward to offset future allocations; (c) offset the loss against a reserve, or similar amount or account; (d) assess the loss in accordance with contractual provisions between a patron and the cooperative; or (e) account for the loss in some combination of the above methods.

In the event of dissolution or liquidation of the cooperative, after all outstanding indebtedness of the cooperative shall have been paid, outstanding capital credits shall be retired without

priority on a pro rata basis before any payments are made on account of property rights of members.

If, at any time prior to dissolution or liquidation, the board of trustees shall determine the financial condition of the cooperative will not be impaired thereby, the capital then credited to patron's accounts may be retired in full or in part. The manner, method, and timing of retiring and paying capital credits and the net present value of any retired credits shall be determined by the board of trustees, and is not dependent and shall not be affected by previous retirements and payments.

Patronage capital allocated to the cooperative by an affiliated wholesale provider, and allocated to the cooperative members as a separate allocation, will not be retired by the cooperative until such capital is retired and paid by the wholesale provider. However, at the discretion of the board, a patron's share of such allocated capital may be retired at the death of a patron at the net present value of the allocations.

Capital credited to the account of each patron shall be assignable only on the books of the cooperative pursuant to written instruction from the assignor, and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the cooperative, unless the board of trustees, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions of these bylaws, the board of trustees, at its discretion, shall have the power at any time upon the death of any individual patron who is a natural person, if the legal representative of the estate shall request in writing that such capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to pay at a discount capital credits to any such patron immediately upon such terms and conditions as the board of trustees, acting under policies of general application, and the legal representative of such patron's estate shall agree upon provided, however, that the financial condition of the cooperative will not be impaired thereby.

Special capital credit retirements apply only to the death of an individual patron or former individual patron. The cooperative will not specially retire capital credits for any entity patron that terminates its membership, merges the entity or dissolves the entity.

The board of trustees shall have the power, at its discretion, to retire the capital credits of any person who has ceased to be a patron of the cooperative.

The cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owed by such patron to the cooperative. The right of the cooperative to set off capital credits against debts due the cooperative is superior and prior to the right of any creditor in and to such capital credits.

The patrons of the cooperative, by dealing with the cooperative, acknowledge the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the cooperative and each patron. 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 made available to patrons on the cooperative's website, as well as upon request at the cooperative's office.

A patron may not grant, create, provide, or perfect a security interest in capital credits allocated to the patron in favor of a person other than the cooperative. A security interest in capital credits allocated to the patron granted, created, provided or perfected in favor of a

person other than the cooperative is invalid and unenforceable. If a security interest in capital credits allocated to the patron granted, created, provided or perfected in favor of a person other than the cooperative is determined or adjudicated valid and enforceable, then security interest is subordinate to a security or other interest of the cooperative in the capital credits.

ARTICLE VIII — Disposition of Property

SECTION 1 - *Mortgages and Deeds of Trust*

The board of trustees shall have full power and authority, without authorization by the members thereof, 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 revenues and income therefrom, all upon such terms and conditions as the board of trustees shall determine, to secure any indebtedness of the cooperative.

SECTION 2 - *Other Dispositions*

The cooperative may not otherwise sell, mortgage, lease or otherwise dispose of or encumber all or a substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized by the affirmative vote of not less than a majority of all the members of the cooperative, and unless notice of such action shall have been contained in the notice of the meeting.

ARTICLE IX — Seal

The corporate seal of the cooperative shall be in the form of a circle and shall have inscribed thereon the name of the cooperative and words "Corporate Seal, Kansas."

ARTICLE X — Financial Transactions

SECTION 1 - *Contracts*

Except as otherwise provided in these bylaws, the board of trustees may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the cooperative, and such authority may be general or confined to specific instances.

SECTION 2 - *Checks, Drafts, Etc.*

All checks, drafts or other orders for the payment of money shall be signed and countersigned by such officer or officers, agent or agents, employee or employees of the cooperative, and in such manner as shall from time to time be determined by resolution of the board of trustees.

SECTION 3 - *Deposits*

All funds, except petty cash, of the cooperative shall be deposited from time to time to the credit of the cooperative in such bank or banks as the board of trustees may select.

SECTION 4 - *Change in Rates*

Written notice shall be given to the administrator of the Rural Electrification Administration of the United States of America prior to the date upon which any proposed change in the rates charged by the cooperative for electric energy becomes effective.

SECTION 5 - *Fiscal Year*

The fiscal year of the cooperative shall begin on the first (1) day of January of each year and shall end on the thirty-first (31) day of December of the same year.

ARTICLE XI — MISCELLANEOUS

SECTION 1 - *Membership in Other Organizations*

The cooperative shall not become a member or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided, however, that the cooperative may upon the authorization of the board of trustees, purchase stock in or become a member of any corporation for the purpose of diversifying or enhancing the business opportunities of the cooperative.

SECTION 2 - *Waiver of Notice*

Any member or trustee may waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or trustee at any meeting shall constitute a waiver of notice of such meeting by such member or trustee, except in case a member or trustee shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

SECTION 3 - *Policies, Rules and Regulations*

The board of trustees shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the articles of incorporation of these bylaws, as it may deem advisable for the management of the business and affairs of the cooperative.

SECTION 4 - *Accounting System and Reports*

The board of trustees shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting systems as may from time to time be designated by the administrator of the Rural Utilities Service (RUS). The board of trustees shall also cause to be made by a certified public accountant a full and complete annual audit of the accounts, books and financial condition of the cooperative. A report of such audit shall be submitted to the members at the next following annual meeting.

SECTION 5 - *Suspension, Termination or Interruption of Cooperative Services*

Without providing a member notice, the cooperative may suspend, terminate or interrupt cooperative services to the member upon determining or discovering:

- A. That cooperative equipment used to provide the member service has been tampered with, altered, interfered with, damaged or impaired;
- B. As necessary to safely, reliably and efficiently operate the cooperative and provide cooperative services;
- C. In case of emergency;
- D. For public safety reasons; or
- E. As requested by government or emergency officials or representatives.

ARTICLE XII — Amendments

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