



# **BYLAWS**

Revised  
March 22, 2011

# Prairie Land ELECTRIC COOPERATIVE, Inc.

## NORTON, KANSAS

The aim of Prairie Land Electric Cooperative, Inc., (hereinafter called the "Cooperative") is to make electric energy available to its shareholders (hereinafter called "members") at the lowest cost consistent with sound economy and good management.

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## BYLAWS

### ARTICLE I MEMBERS

**Section 1. Qualifications and Obligations.** Any person, firm, corporation, or body politic may become a member in the Cooperative by:

- (a) completing and submitting the application for electric service and membership form;
- (b) agreeing to purchase from the Cooperative the amount of electric energy as hereinafter specified;
- (c) agreeing to comply with and be bound by the Articles of Incorporation of the Cooperative and these Bylaws and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Trustees. *Provided, however*, that no person, firm, corporation or body politic shall become a member unless and until the application for membership of said person or entity has been accepted for membership by the Board of Trustees or the members; and
- (d) the governing body of every member other than a person shall furnish the Cooperative a certificate or other written evidence as may, from time to time, be requested by the Cooperative, certifying to the name of such individual person as shall have the right to cast the vote of said member at any meeting of the members of the Cooperative, provided that such certificate as may be so furnished to the Cooperative, shall remain in full force and effect, and the Cooperative may rely upon the same, until such certificate shall be withdrawn by such member or superseded by a subsequent certification from said member.

At each meeting of the members, all applications received more than ninety (90) days prior to such meeting and which have not been accepted by the Board of Trustees shall be submitted by the Board of Trustees to such meeting of the members and, subject to compliance by the applicant and the conditions set forth in subdivisions (a), (b), (c), and (d) of this section, such application for membership may be accepted by a vote of the members at such meeting. The Secretary shall give any such applicant at least ten (10) days prior notice of the date of the members' meeting to which his application will be submitted and such applicant may be present and heard at the meeting. No person, firm, corporation or body politic may own more than one (1) membership in the Cooperative.

A husband and wife may jointly become a member and their application for a joint membership may be accepted in accordance with the foregoing provisions of this section provided the husband and wife comply jointly with the provisions of the above subdivisions (a), (b), (c), and (d). The spouse of any member individual not present at any meeting may cast any vote which said member would be entitled to cast if personally present.

**Section 2. Membership.** Completion and submission of the application for electric service and membership shall make a member eligible for one service connection. An additional deposit may be required for the initial and all subsequent service connections requested by a member, according to the rules and regulations of the Cooperative.

**Section 3. Purchase of Electric Energy.** Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises referred to in the application of such member for membership, and shall pay therefore monthly at rates which shall from time to time be fixed by resolution of the Board of Trustees; *provided, however*, that the electric energy which the Cooperative shall furnish to any member may be limited to such an amount as the Board of Trustees shall from time to time determine, and that each member shall pay to the Cooperative such minimum amount per month as shall be fixed by the Board of Trustees, from time to time, regardless of the amount of electric energy consumed. Each member shall also pay all obligations which may from time to time become due and payable by such member to the Cooperative as and when the same shall become due and payable.

**Section 4. Expulsion of Members and Surrender of Membership.** The Board of Trustees may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member and cause his certificate of membership to be surrendered if such member shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cooperative or these Bylaws or any rules or regulations adopted from time to time by the Board of Trustees. The certificate of membership, so surrendered, shall be canceled by the Board of Trustees. Any member so expelled, and whose certificate of membership has been surrendered, may be reinstated as a member by a vote of the members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

**Section 5. Withdrawal of Membership.** Any member may withdraw from membership upon payment in full of all liabilities of such member to the Cooperative and upon compliance with such terms and conditions the Board of Trustees may prescribe.

**Section 6. Active and Inactive Members, Transfer and Termination of Membership.**

(a) There shall be two classes of membership in the Cooperative, to wit:

(i) Active Members: All members currently receiving service from the Cooperative;

(ii) Inactive Members: All persons, firms, corporations or bodies politic and legal successors thereto which have in the past received service from the Cooperative, and have present capital credit allocations, notwithstanding the earlier return of any service fee. The rights of an inactive member shall be limited to his right to receive a distribution of patronage refunds. The inactive membership status shall terminate upon the refund of the balance of the inactive member's capital credits. Inactive members will not be permitted to vote.

On final cessation of service, an active member shall become an inactive member, provided that said member's debts and liabilities to the Cooperative are satisfied.

(b) Membership in the Cooperative and the certificate representing the same shall be transferable only under the conditions hereinafter stated. Membership in the Cooperative and the certificate representing the same shall be transferable to any person, firm, corporation or body politic who or which is eligible for membership in the Cooperative and becomes a member of the Cooperative under the conditions set forth in these Bylaws. Upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate, and the certificate of membership of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall operate as a release of all right, title and interest of

the member in the property and assets of the Cooperative; *provided, however*, that such termination of membership shall not release the member from the debts or liabilities of such member to the Cooperative.

- (c) A membership may be transferred by a member himself or herself and his or her spouse, as the case may be, jointly upon the written request of such member and compliance by such husband and wife jointly with the provisions of subdivisions (b) and (c) of Section 1 of this article. Such transfer shall be made and recorded on the books of the Cooperative and such joint membership noted on the original certificate representing the membership so transferred.
- (d) When a membership is held jointly by a husband and wife, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and upon the recording of such death on the books of the Cooperative the certificate may be reissued to and in the name of such survivor; *provided, however*, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

## 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 the property and assets of the Cooperative remaining after all debts and liabilities of the Cooperative are paid, shall be distributed among each of the members, both active and inactive, in the proportion which said member's then existing capital credit account bears to the total outstanding capital credit accounts of the Cooperative.

**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 members 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 prior to May 31, each year, on such date, at such time and place, designated by the Board of Trustees in the notice of the meeting, for the purpose of 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 written request signed by any five trustees, 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 the Cooperative's service territory, specified in the notice of the special meeting.

**Section 3. 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 before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the member's address as it appears on the records of the Cooperative, with postage thereupon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

**Section 4. Quorum.** Fifty members present in person, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice, provided, that the Secretary shall notify any absent members of the time and place of such adjourned meeting.

**Section 5. Voting.**

- (a) **In General.** Each member shall be entitled to only one vote provided that the vote of a member, other than an individual, shall be cast on behalf of said member, only by such person as shall have been designated by written certificate as authorized to cast said vote, as required by Section 1, of Article I, of these Bylaws. All questions shall be decided by vote of the majority of the members voting thereon in person, at a meeting where a quorum exists, except as otherwise provided by Subsection (b) hereof as to Trustee elections, and Article VIII, hereof regarding sale, lease, disposition, merger or consolidation.
- (b) **Trustee Elections.** Mail ballots are required for Trustee elections. Ballots shall be mailed to voting members no later than January 25<sup>th</sup> of each year. Members shall return said ballot to the principal office of the Cooperative by the end of business on February 10<sup>th</sup>. Ballots shall be counted no later than February 20<sup>th</sup>.

Every member voting by mail ballot as provided herein, regardless of the place of residence of said member, shall have the right to cast one vote for election of a trustee candidate, whether or not the member is a resident of the trustee district in which the candidate resides. On such mail ballot matters, members shall cast their votes by mail in accordance with the provisions set forth at Article VIII, Section 3, Subparagraphs (a), (b), (c), and (e), as amended. The candidate receiving the most votes cast shall be declared the winner.

**Section 6. Proxies.** No voting will be allowed or permitted by proxy at any member meeting. Any member must be personally present to vote on any proposition submitted at a member meeting, except as provided in Article VIII or in Article III, Section 5.

**Section 7. Order of Business.** The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows:

- (a) Report as to which members are present in person in order to determine the existence of a quorum.
- (b) 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 meetings; as the case may be.
- (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (d) Presentation and consideration of reports of officers, trustees and committees.
- (e) Unfinished Business.
- (f) New Business.
- (g) Adjournment.

**Section 8. Credentials and Election Committee.** The Board of Trustees shall, at least ten (10) days before any meeting of the members or by February 1<sup>st</sup> for the Trustee Election, appoint a Credentials and Election Committee consisting of three members who represent different trustee districts; but, are not existing Cooperative officers, Trustees, or known candidates. Committee members shall be duly compensated as set from time to time by the Board of Trustees before any general membership meeting. The Committee shall elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of Trustees (including but not limited to

the validity of petition of nomination or the qualifications of candidates and the regularity of the nomination and election of Trustees), and to pass upon any protest or objection filed with respect to any election or to conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days next following the adjournment of, the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protester(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, which may be either to affirm the election, to change the outcome thereof, or to set it aside. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final, except as to subsequent judicial proceedings.

## **ARTICLE IV TRUSTEES**

**Section 1. General Powers.** The business and affairs of the Cooperative shall be managed by a board of not less than nine (9) nor more than fifteen (15) trustees, the number of which shall be determined by the board, which shall exercise all 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. Each trustee district shall have not less than one (1) nor more than three (3) trustees, as determined by the board.

**Section 2. Definitions.** The phrase "area served" or "territory served" shall refer to the full and entire geographic area in which the Cooperative provides electrical service at any time as well as any municipalities which are located in, and surrounded by, such area or territory.

**Section 3. Election and Tenure of Office.** All trustees shall be elected by secret mail ballot of the members of the Cooperative for a three (3) year term to be staggered such that no more than one (1) position shall be up for election in each district each year. Each Trustee shall be elected who is an actual bona fide resident within the Trustee District to be represented. The districts, which are geographical areas from which the trustees shall serve, shall be numbered one through five and include the following counties:

Trustee District No. 1: The counties of Cheyenne, Rawlins, Sherman, and Thomas.

Trustee District No. 2: The counties of Decatur, Norton, and Phillips.

Trustee District No. 3: The counties of Sheridan, Graham, and Rooks.

Trustee District No. 4: The counties of Smith, Jewell, Osborne, and Mitchell.

Trustee District No. 5: The counties of Republic, Washington, Cloud, and Clay.

**Section 4. Qualifications.** No person shall be eligible to become a trustee who:

- (a) is not a member and bona fide resident served by the Cooperative in the Trustee District to be represented; except that any sitting trustee who changes their place of residence to a location not served by the Cooperative, but still resides within the Trustee District to be represented, the same shall not become a disqualifying basis as long as said trustee shall keep and maintain economic or business interests served by the Cooperative within said district which are substantially equivalent to those existing when elected.
- (b) is primarily employed by or financially interested in a competing enterprise or a business selling electric energy, supplies or services to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies exclusively to the members of the Cooperative.

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

**Section 5. Nominations.** Nominees for positions on the Board of Trustees shall be determined by the Nominating Committee, or by petition, in accordance with the following provisions:

- (a) **Nominating Committee.** It shall be the duty of the Board of Trustees to appoint, on or before December 1<sup>st</sup>, a committee on nominations consisting of five (5) members who shall be selected, one from each district of the Cooperative. No member of the Board of Trustees may serve on such committee. The committee, keeping in mind the principle of geographical representation as well as other considerations in keeping with the best interests and business objectives of the Cooperative, shall prepare and post at the principal office of the Cooperative on or before January 1<sup>st</sup>, a list of nominations for trustees which may include a greater number of candidates than are to be elected.
- (b) **Petition.** Nominations may be made by petition. Such petition(s) shall be filed at the principal office of the Cooperative no later than the end of business January 10<sup>th</sup>. The petition must be signed by not less than twenty-five (25) members of the district for whom the Trustee is to be elected. The Secretary shall post such nominations at the same place where the list of nominations made by the committee on nominations is posted. The Secretary shall mail with the trustee election ballot 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.
- (c) **Write-in Candidates.** There shall not be write-in nominations on the trustee election ballot.

**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 percent of the members, may request the removal of such trustee by reason thereof. Such trustee shall be informed in writing of the charges at least ten days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against said 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.** Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of trustees by the members, a vacancy occurring in the Board of Trustees shall be filled by the affirmative vote of a majority of the remaining trustees for the un-expired portion of the term.

**Section 8. Compensation.** Board members shall not receive any salary for their services as such, except that the trustees 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.

## **ARTICLE V MEETINGS OF TRUSTEES**

**Section 1. Regular Meetings.** A regular meeting of the Board of Trustees shall 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 Trustees shall also be held monthly at such time and place as the Board of Trustees may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

**Section 2. Special Meetings.** Special meetings of the Board of Trustees may be called by the President or by any three trustees, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the trustees calling the meeting shall fix the time and place for the holding of the meeting.

**Section 3. Notice of Trustees' Meetings.** Written notice of the time, place and purpose of any special meeting of the Board of Trustees shall be delivered to each trustee not less than five days previous thereto, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the trustees calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the trustee at the trustee's address as it appears on the records of the Cooperative, with postage thereon prepaid.

**Section 4. Quorum.** A majority of the Board of Trustees shall constitute a quorum, provided, that if less than such majority of the trustees is present at said meeting, a majority of the trustees present may adjourn the meeting from time to time; and *provided, further*, that the Secretary shall notify any absent trustees of the time and place of such adjourned meeting. The act of the majority of the trustees present at the meeting at which a quorum is present shall be the act of the Board of Trustees.

## **ARTICLE VI OFFICERS**

**Section 1. Number.** The officers of the Cooperative shall be a President, Vice-President, Secretary, Treasurer, and such other officers as may be determined by the Board of Trustees from time to time. The offices of Secretary and of Treasurer may be held by the same person.

**Section 2. Election and Term of Office.** The officers shall be elected by ballot annually, by and from the Board of Trustees at the meeting of the Board of Trustees held immediately after 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 un-expired portion of the term.

**Section 3. Removal of Officers and Agents by Trustees.** Any officer or agent elected or appointed by the Board of Trustees may be removed by the Board of Trustees whenever in its judgment the best interest of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against any officer, and by filing with the Secretary such charges in writing together with a petition 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 at least ten days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against said officer shall have the same opportunity. In the event the board does not remove said officer, the question of 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 of the Board of Trustees, shall preside at all meetings of the members and the Board of Trustees;
- (b) sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by the Board of Trustees or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Trustees 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.** The Vice-President shall:

- (a) in the absence of the President, or in the event of his inability or refusal to act, 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.
- (b) also perform such other duties as from time to time may be assigned by the Board of Trustees.

**Section 6. Secretary.** The Secretary shall:

- (a) keep the minutes of the meetings of the members and of the Board of Trustees in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and affix the seal of the Cooperative to all certificates of membership prior to the issuance thereof and to all documents, the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these Bylaws;
- (d) keep a register of the names and post office addresses of all members;
- (e) sign, with the President, certificates of membership, the issuance of which shall have been authorized by the Board of Trustees or the members.
- (f) have general charge of the books of the Cooperative, Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, forward a copy of the Bylaws and of all amendments thereto, to each member; and
- (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board of Trustees.
- (h) keep on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, forward a copy of the Bylaws, and of all amendments thereto to each member.

**Section 7. Treasurer.** The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) be responsible for the receipt of and the issuance of receipts for all moneys due and payable to the Cooperative and for the deposit of all such moneys in the name of the Cooperative on such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and
- (c) in general perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Trustees.

**Section 8. Manager.** The Board of Trustees may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the Board of Trustees may from time to time authorize.

**Section 9. Bonds of Officers.** The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall give bond in such sum and with such surety as the Board of Trustees shall determine. The Board of Trustees in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

**Section 10. Compensation.** The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Trustees, subject to the provisions of these Bylaws with respect 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 conditions of the Cooperative at the close of such fiscal year.

## **ARTICLE VII DISPOSITION OF REVENUES AND RECEIPTS AND NONPROFIT OPERATIONS**

**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.**

- (a) **Patronage Capital in Connection with Furnishing Electric Energy (Operating Margins).** 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 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. 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 capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of such capital credit, or, alternatively, the method or formula whereby the customer may compute such amount of capital credit which has been duly 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.
- (b) **Amounts Received other than from the Furnishing of Electric Energy (Non-operating Margins).** Non-operating income, such as funds and amounts, other than funds and amounts received from furnishing electric service, received by the Cooperative, that exceed the Cooperative's cost and expense ("non-operating margins") may, in the sole discretion of the Board of Trustees, be:
  - (i) Allocated as capital credits to patrons or members in the same manner as the cooperative allocates operating margins; or
  - (ii) Used by the Cooperative as permanent, non-allocated capital; or
  - (iii) Used to offset any losses incurred during the current or any prior fiscal year.
- (c) **Dissolution or Liquidation.** 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 the account of property rights of members under Article II Section 1.
- (d) **Method of Retirement.** If, at any time, the Board of Trustees shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be

retired in full or in part. The Board of Trustees shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital.

- (e) **Assignment.** 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 successor 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.
- (f) **Capital Credits Held by Estates.** Notwithstanding any other provision of these Bylaws, the Board of Trustees, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Trustees, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; *provided, however*, that the financial condition of the Cooperative will not be impaired thereby.
- (g) **Contractual Relationship.** 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 by 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.

## **ARTICLE VIII DISPOSITION OF PROPERTY AND ACQUISITION THEREOF**

**Section 1.** The Board of Trustees of the Cooperative shall have full power and authority without authorization of the members of said Cooperative, to authorize the execution and delivery of a mortgage, or mortgages, pledging or encumbering all, or any portion of the property, assets, rights, privileges, licenses, franchises or permits of the Cooperative, whether acquired or to be acquired, wherever situated, and to further mortgage or otherwise lawfully encumber any or all of the revenues or income of the Cooperative, at such times, and upon such terms and conditions as the Board of Trustees, shall, from time to time negotiate and determine to be in the best interest of the Cooperative, for the purpose of securing any indebtedness, extension or renewal of indebtedness, of the Cooperative.

### **Section 2.**

- (a) **Sale, Lease, or Disposition.** The Cooperative may not sell, lease, or otherwise dispose of all or any substantial portion of its property, unless such sale, lease, or disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than a 2/3 majority of all the members of the Cooperative, and unless the notice of such proposed sale, lease, or other disposition shall have been contained in the notice of meeting; *provided, however*, that notwithstanding anything herein contained, the Board of Trustees of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or 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, as countenanced by Section 1 hereof.
- (b) **Merger or Consolidation.** The Cooperative may not enter into a merger or consolidation with another cooperative, unless such merger or consolidation is authorized at a meeting of the members thereof by the affirmative vote of not less than a 2/3 majority of the members of the Cooperative voting at such meeting, where there is a quorum as provided by law, and unless the notice of such proposed merger or consolidation shall have been contained in the notice of the meeting.

**Section 3. Mail Ballots Permitted.** With respect to a vote on the matters set forth in Article VIII, Section 2, dealing with sale, lease, merger, or consolidation, or other disposition of all or substantially all of the assets of the Cooperative, each member shall be entitled to vote thereon by mail or in person, except as otherwise provided by law, the Articles of Incorporation or these Bylaws. On such mail ballot matters, members may cast their votes by mail in accordance with the following conditions:

- (a) Only ballots prescribed by the Board of Trustees and contained in, or with the mailing of, the notice of the meeting will be honored and counted;
- (b) Ballots and the manner of marking and returning them to the Cooperative shall be such that, while the fact that they have been marked by a member of the Cooperative may be verified, they are voted in secret; a ballot may not be revoked by attendance at the meeting of the member who has voted it;
- (c) Returned-addressed and stamped envelopes will be provided for mailing the marked ballots back to the Cooperative;
- (d) Ballots must be marked and returned to the Cooperative's corporate headquarters no later than the last business day prior to the member meeting to be counted;
- (e) The returned ballots shall be counted by two non-trustee members of the Cooperative designated by the Board of Trustees, and the Secretary, or by the Election and Credentials committee in the case of Trustee elections, and the results thereof shall be certified by said persons, and shall be duly announced at the member meeting.

**Section 4. Acquisition.** The Board of Trustees of the Cooperative shall have full power and authority without authorization of the members of said Cooperative, to authorize and complete the acquisition of electric transmission and distribution lines or systems, electric generating plants, and lands, buildings, structures, dams, easements and rights-of-way, equipment, and any other real or personal property, tangible or intangible, necessary to accomplish the purpose for which this Cooperative is organized, including, without limitation, the general purpose of supplying electric energy and promoting and extending the use thereof.

## **ARTICLE IX FINANCIAL TRANSACTIONS**

**Section 1. Contracts.** Except as otherwise provided in these Bylaws, the Board of Trustees, may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

**Section 2. Checks, Drafts, Etc.** All checks, drafts, or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Trustees.

**Section 3. Deposits.** All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Trustees may select.

**Section 4. Change in Rates.** Written notices shall be given to the Administrator of the Rural Utilities Service of the United States of America (RUS) 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. 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 X MISCELLANEOUS**

### **Section 1. Membership in other Organizations.**

- (a) The Cooperative shall not become a member of 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 organized for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of RUS, or for the purpose of promoting the economic development of the general areas in or near to which the Cooperative serves, as set forth in subparagraph (b) hereof, and other corporations for the purpose of acquiring electric facilities.
- (b) The Board of Trustees, when acting for the purpose of promoting economic development of the general areas in or near to which the Cooperative serves, is authorized to use financial and other support for such development. Such activities may include, but are not limited to membership in, or ownership of securities of other organizations engaged in promoting such economic development, ownership of subsidiary organizations for economic development purposes, and reasonable investments in such organizations in support of their development programs; the acquisition, through purchase, option or otherwise, of land or other properties for resale, lease, or sublease to prospective institutional, commercial and industrial enterprises; and the sale lease or sublease of such land properties otherwise when such is in the Cooperative's best interest; and the promotion of economic development through advertising, joint activities with others, training programs, leadership development projects and other activities and programs.

**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, either before or after such meeting. 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. Rules and Regulations.** The Board of Trustees shall have power to make and adopt such rules and regulations, not inconsistent with law, and Articles of Incorporation or 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 system as may from time to time be designated by the Administrator of the RUS. The books of the Cooperative shall be examined by a committee of the Board of Trustees which shall render reports to the Board of Trustees at least four times a year at regular meetings of the Board of Trustees. The Board of Trustees shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be available to the members upon request.

## **ARTICLE XI 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.